

July 1st, 1961

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# The ( Accountant )

THE RECOGNIZED WEEKLY ORGAN FOR CHARTERED ACCOUNTANTS  
AND ACCOUNTANCY THROUGHOUT THE WORLD

23

## GENERAL INDEX

VOLUME CXLIV - JANUARY to JUNE 1961

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GEE & CO (PUBLISHERS) LIMITED

Editorial Offices: 4 DRAPERS' GARDENS, THROGMORTON AVENUE, LONDON, EC2

Publishing Offices: THE CITY LIBRARY, 27-28 BASINGHALL STREET, LONDON, EC2

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FROM JANUARY TO JUNE 1961

VOL. CXLIV

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## Outlook Uncertain

THE balance of payments is not satisfactory, and exports are not high enough in relation to imports. At home there is still too much pressure of demand on available resources. Restraint and leadership are required to avoid another inflationary spiral.' Few observers would disagree with this succinct reflection on the current economic situation in the United Kingdom uttered by the Chancellor of the Exchequer, MR SELWYN LLOYD, in a recent address to the Liverpool Society of Chartered Accountants. Yet its very brevity tends to conceal the full measure of the Government's predicament.

The fundamental problem is the absence of any indication that industrial output is likely to expand; since the spring of last year, industrial output has been virtually static. The effects of the recession in the motor industry and its ancillary trades, together with the reduced production of consumer durables having been offset, as far as the index of industrial production is concerned, by the revival of activity in the capital goods industries. The fact remains, however, that in contrast with the buoyancy of European production during the past two years, Britain's performance is depressing and augurs ill for the future of British trade in Europe.

Despite all the publicity accorded the employment situation in the industries producing consumer durable goods, it is a fact that overall unemployment in Britain is well below 2 per cent of the working population. What is much more serious is the situation in which marginally significant supplies of labour are retained on reduced hours and pay in the depressed industries, while in other branches of engineering possibilities of expansion are restricted by a shortage of skilled labour.

The relative lack of labour mobility and the tendency for employers to retain redundant workers, however understandable such policies may be from the human point of view, can only perpetuate the nation's economic *malaise*. In this situation it is hardly surprising that throughout the past year earnings have risen and now the claims for increased wage rates lodged towards the end of 1960 are coming to fruition. While the latest award to engineers is not as high as was feared might be the case, its repercussions are already such as to make it clear that domestic prices and costs of production will rise more in 1961 than during the past twelve months.

This latest twist to the wages-price spiral will hardly assist industry to achieve the sorely needed expansion of exports which last year increased by barely 5 per cent compared with a rise in imports of three times that figure. As MR J. R. CUTHBERTSON,

B.A., F.C.A., points out in a paper reproduced on other pages in this issue, increased imports are normally a direct consequence of rising industrial consumption of raw materials, but last year a considerable part of these imports must have served to increase manufacturers' stocks. If this is the case, then MR CUTHBERTSON's prediction that imports should now begin to slacken will be borne out. A particularly depressing feature of last year's increased import bill was the sharp rise in the quantity of foreign manufactured goods purchased on the home market. This development cannot be entirely explained by the failure of British producers to meet current demand for consumer goods. The poor performance on visible trade account is responsible for only a part of the deterioration of the United Kingdom's balance of payments. In the invisible account there has been a sharp decline in the earnings of the mercantile marine; Government overseas expenditure has risen while higher domestic interest rates have increased the cost of part of the external debt service. In total, the balance of payments has deteriorated from a surplus of some £130 million in 1959 to what will probably be a deficit of at least that amount in 1960; it may well be worse.

With British interest rates well above the levels in other leading financial centres there has been a substantial in-flow of 'hot' money which accounts for the much-publicized monthly increases in the gold and dollar reserves. Rather less attention has been paid to the corresponding growth of Britain's external short-term liabilities. In consequence of this development, a further reduction in Bank rate—which as MR CUTHBERTSON points out would help the American dollar—is virtually impossible, since any outflow of this 'hot' money could lead to much heavier pressure on the reserves. To quote MR CUTHBERTSON, 'the maintenance of sterling is so important that we can take no chances'; in other words, the Government is in a cleft stick as long as the balance of payments is so unsatisfactory.

This conflict between internal economic expansion on the one hand, and balance of payments equilibrium on the other, is hardly a new feature of the British post-war economy. A recent American study analyses the policy of the British Government towards its external financial position between 1951-57 and concludes that monetary

policy as operated during those years was of limited value.<sup>1</sup> The author stresses that there is no substitute for monetary discipline, i.e. a regulation of credit, but emphasizes that it must be co-ordinated with the appropriate budgetary and fiscal policies. While the present policy of credit limitation, hire-purchase restrictions and high interest rates may help achieve a temporary external stability, they also combine to retard the pace of industrial expansion from which, in the long run, both external solvency and our higher living standards must come. Much-needed relief for the balance of payments could be obtained by reducing the Government's overseas commitments and the rate of investment overseas by private United Kingdom industry. It would be possible to save nearly £200 million per annum in these ways, but such saving would only be achieved at the expense of Britain's moral obligations towards her allies and her partners in the Commonwealth.

The answer to the present difficulties is a policy aimed at contracting domestic consumption so that resources are released to increase domestic industrial investment, and exports to the increasingly competitive markets of the world. It is these considerations which must form the basis of MR SELWYN LLOYD's maiden Budget; but it must be clearly realized that a fiscal policy aimed at restraining consumption cannot be automatically offset by compensating wage and salary increases. Unfortunately, it is impossible to believe with any real confidence that this point will be recognized by the community. The wage-price spiral, which as DR KENEN observes 'has bedevilled' the British economy since 1951, is no nearer a solution than it ever was. Neither foreign nor domestic observers under-estimate the underlying difficulties of the British economy, but they can criticize policies which intensify those difficulties, or at best do nothing to resolve them. In MR CUTHBERTSON's neat phrase, 'the British economy is open to all the winds that blow'. The Government must explain to the public which windows should be closed, rather than go on hoping that the winds will cease to blow. That is the measure of MR SELWYN LLOYD's task next April if an autumnal gale is to be avoided.

<sup>1</sup> *British Monetary Policy and the Balance of Payments, 1951-1957*, by Peter B. Kenen, Harvard Economic Studies Volume CXVI. Harvard University Press; Oxford University Press, London. Price 60s.

# Appraising Internal Control

by JOHN SMURTHWAITE, A.C.A., C.A.(Can.)

**T**HERE are two reasons for assessing the worth of any system of internal control. The first is to provide the accountant, in his capacity of auditor, with the proper basis upon which to determine the limits of his examination. The second is to provide management with an analytical appraisal of their system of internal control. The purpose in either case is to lay bare the strengths of the system so that these may be built upon, and expose the weaknesses in order that they may be eradicated.

## Nature of Internal Control

Internal control possesses four essential elements: organization, authorization, procedures and personnel. No system can function without these interdependent parts.

The basic organization of any enterprise requires a division of authority between the operating, recording and custodianship functions. It is essential that the operating departments should not be responsible for their own recording functions. On the other hand, the accounting department should in no way be responsible for operations or for custodianship, it should confine its activities to recording and reporting to management.

There must be a proper system of authorizations, as it is not otherwise possible to provide adequate accounting control over the assets and liabilities, income and expenditures of a concern. The person providing the authorization should have no part in recording the transactions approved.

Sound procedures must be in operation if internal control is to be effective. This usually results in the employment of a double entry book-keeping system.

In the final analysis, the effectiveness of any system of internal control depends upon the quality of the personnel responsible for its operation. No system of internal control is infallible. It is vital, therefore, that the management group responsible for the effective operation of the system of controls should be of the highest possible calibre. Of necessity, the calibre of personnel plays a much greater part in the internal control system of a small business than in a large business, where adequate division of duties partially compensates.

## Auditors' Responsibility regarding Internal Control

There can be no question that an auditor has a duty to review the system of internal control. Indeed, with the almost universal adoption by the profession of the system of test checking, it is difficult to see how the auditor can do anything else.

Whilst accountants in the United Kingdom have not as yet adopted a 'scope' paragraph in their audit reports, this has been done in both the United States and Canada. In those countries an auditor signing a report in which a 'scope' paragraph appears, would indicate that he had made a proper study and evaluation of the existing internal control system. It cannot be presumed that the position of British auditors would be any different even though it is not customary to refer to the scope of the examination in their audit reports.

One question that would seem to present itself is: Should the auditor's report to the shareholders be expanded to cover a reference to the efficiency of the system of internal control? The point being that the system of internal control governs the degree of accuracy of the data from which the financial statements are made up.

Undoubtedly some shareholders would be very pleased to receive the auditor's comments in this respect. However, the subject is one that is more properly the sphere of management and, provided the internal control system permits the accumulation of accounting data in such a fashion as to present a true and fair view of the state of affairs, the auditor would not be justified in making a reference to it in his report.

Certainly, the best accounting practice requires that management be informed of all defects and deficiencies in internal control. The internal control system is management's responsibility, and unless the defects and deficiencies are of particular importance there is no reason why they should be reported to the shareholders.

## Formal and Informal Approaches

Most accountants in Britain use the informal approach in reviewing the internal control system. This unfortunately has several drawbacks. There are no written records of any comprehensive review being made. Thus, at a later date it may be difficult for the accountant to

prove the basis which he used to determine the limits of his test checking. As the review is largely left in the hands of the senior in charge, the practitioner has to rely upon second-hand opinions. It is impossible adequately to decide the limits of the test checking in advance, since the review is largely conducted as the job progresses. This does not lead to very efficient working, and it is frequently necessary to send staff accountants back to the client's office to clear points raised by the practitioner on review.

In contrast, the formal approach has several positive advantages. It is possible to measure effectively the efficacy of the internal control system prior to the commencement of the audit field work. This allows for better planning of the audit procedures. A written record of the review is available, the principal is thus better able to control the work of the senior in charge and there is far less likelihood of any of the major or minor points of internal control being overlooked.

### Provision of a Yardstick

The requirements of a properly planned system of internal control should be set down in writing. This list of requirements will provide the yardstick upon which to measure the efficacy of the internal control system.

It is doubtful if any list can be exhaustive of all the points to be covered in a good internal control system. It certainly is possible to list all the basic points and the main refinements required.

The next point to be settled is the manner in which the list of internal control requirements is to be used. It is possible to incorporate the points in a questionnaire, a checklist, an accounting records and procedural flowchart, an organization chart, or to use the points in the narrative approach. A combination of any of these approaches may be used.

By utilizing these methods it is possible to categorize any system of internal control as weak, adequate or good, on an overall basis. In addition, the weak points and the strong points will be revealed individually. The audit programme may thus be modified in advance, as circumstances dictate.

### Questionnaire Approach

Undoubtedly one of the most popular methods of conducting a formal review of internal control is the questionnaire approach. This is particularly true of the larger North American firms who use it extensively.

A basic questionnaire can be adapted without difficulty to the requirements of any particular

job. It also has the advantage of appearing to be a regular part of the audit procedures, so that the necessary questioning of the client does not make him feel that he is being 'investigated'. A good questionnaire can bring to light serious defects in the internal control system that can be subjected to immediate investigation.

Constructing a good questionnaire is not an easy task. The questions should follow the logical sequence of transactions through the business, that is, starting with the initial purchase order of raw materials, right through to the collection of the proceeds of sales.

A little ingenuity allows the questions to be phrased so that all answers will be a simple 'yes' or 'no', the 'no' type answers indicating a weakness in internal control. If the questions are properly grouped and are in loose-leaf form, they can be used in conjunction with the audit programme. It is then a relatively simple task to check the accuracy of the answers by direct observation as the audit test checking progresses.

Audit personnel should be carefully trained in the use of questionnaires. They must understand the meaning and purpose of each question. On certain jobs it may be necessary to rephrase the questions so that they may be more readily understood by the client's accounting staff. At the same time, the questions must be asked in such a manner that the correct answers are not automatically suggested.

### Checklist

An alternative to the questionnaire is the checklist, which provides the framework within which the review of internal control can be made.

The internal control points are grouped in the same way as for a questionnaire, so that the review may be used to modify the audit programme as necessary. One advantage is that it does not allow questions to be answered with a perfunctory yes or no, but requires a definite amount of initiative to be used by the senior in charge making the review.

This, however, can also be a disadvantage as, unless provision is made for narrative on various phases of the review, no permanent record of the internal control system is built up.

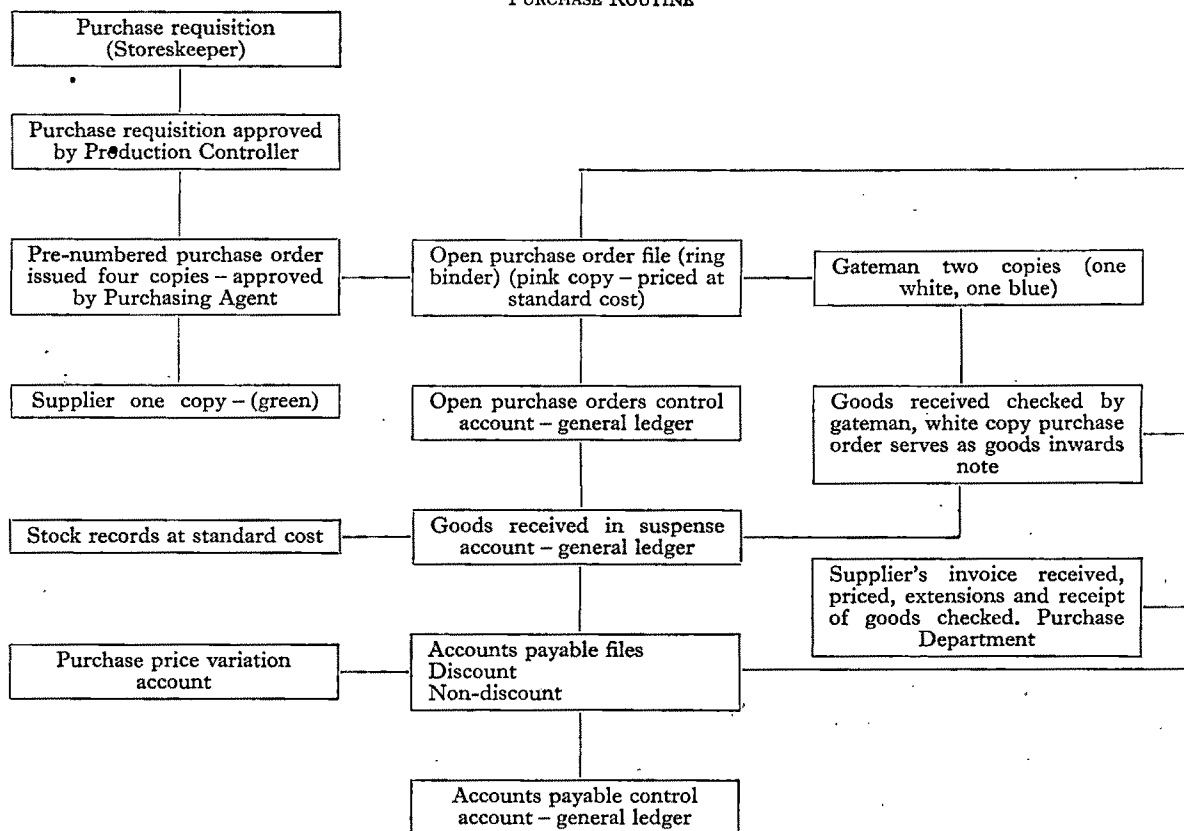
### Procedural Flow Charts

Smaller North American accounting firms often combine the listing of the client's accounting records with a procedural flow chart (see Fig. 1). This has the advantage of rapidly outlining the framework of the internal control system.

Figure 1

## PROCEDURES FLOW CHART (Simplified)

## PURCHASE ROUTINE



Such a system can be invaluable for use with the smaller and medium-sized business where internal control weaknesses can be basic.

The procedural flow chart should be so designed that it follows the natural flow of transactions through the business. As each step in the flow of transactions is traced, the following data is set out on the flow chart: accounting record affected, debit or credit entry and person responsible for making the entry. Wherever possible samples of the various forms, record cards and ledger sheets are collected and cross referenced to the flow chart.

The main disadvantage of this approach is that it does not lend itself readily to examining isolated transactions. This objection can be overcome by using it in conjunction with the questionnaire on internal control.

### Organization Chart

One approach that is seldom used by any accounting firm is the organization chart. To be of any use for reviewing internal control a special chart

must be drawn showing in detail the functions of each individual in the organization (see Fig. 2).

It is a time consuming job to prepare such a chart, as, unless organization lines are clearly laid out, few individuals are fully aware of their complete range of responsibilities. By the same token, however, such a chart is of immense value in assessing the strength of the management.

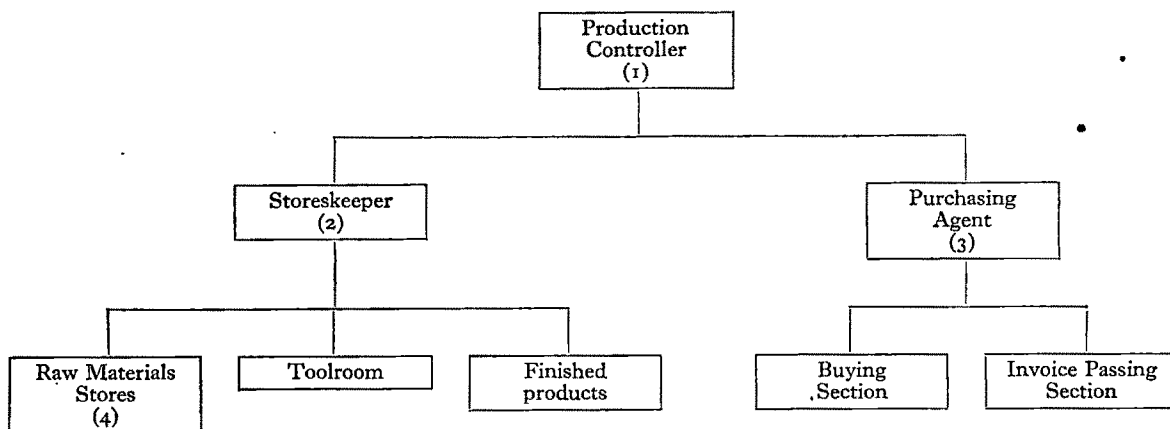
### Narrative Approach

The final method of making a formal review of internal control is the narrative approach. This approach is particularly suited to the smaller client, where the basic internal control system is weak, as it allows a full description of all the compensating factors to be made.

It is essential that the narrative approach be pre-planned, as otherwise it is difficult for the principal when reading the narrative to be sure that all points have been adequately covered. For this reason the narrative approach is best combined with the internal control checklist.

On starting a new engagement all the internal

Figure 2

ORGANIZATION CHART (Simplified)  
PRODUCTION DEPARTMENT

(Gateman is responsible to dispatch department.)

**Notes:**

- (1) Responsible for setting and maintaining overall production schedules. Approves all purchase requisitions. Sets maximum and minimum stock levels.
- (2) Overall responsibility for safekeeping and conduct of stores. Authorizes raw materials and toolroom requisitions.
- (3) Overall responsibility for purchasing policies. Approves all purchase orders before issue.
- (4) Responsible for maintenance of raw materials. Inspects all raw materials received for quality. Responsible for re-ordering when minimum quantities reached.

control points should be covered in a comprehensive narrative. In future years it is then necessary to write a comprehensive narrative on pre-chosen sections of the internal control system only. Minor changes in the system can be indicated on the original manuscript.

### Mechanized Accounting

In the last two decades most businesses have adopted some form of mechanized accounting. The range of equipment available is tremendous, varying from simple cheque-writing machinery to full-scale electronic data processing. This has created a new set of internal control problems. Some of the simpler forms of mechanization have improved the degree of control exercised by previously existing internal control systems. The more complex forms of mechanization have required the construction of entirely new internal control systems. In the latter case these new controls have been built up not because of any desire to prevent fraud, but rather to ensure the smooth flow of work through the accounting system.

The basic form of control found in most forms of mechanization is control of input and output. These controls can be used as a form of internal control for audit purposes.

The questionnaire approach is the one most readily adapted to evaluating the internal control

system applying to mechanized accounting. The preparation of such a questionnaire calls for co-operation between the accountant specializing in management services and the auditor. Only the management services specialist is fully conversant with the capabilities of each machine and the range of controls that can be built into each machine function.

### Management Letter

The logical conclusion of any review of internal control is the management letter. One of the purposes of this letter is to inform management of the internal control deficiencies discovered by the accountant during the course of his audit and to suggest the remedies that might be employed.

The degree of success achieved by the accountant in persuading management to adopt his suggestions will depend upon his ability to present these suggestions in the right light. Few managements are receptive to ideas that are solely oriented to protection from fraud, if only for the reason that a good bonding insurance policy can provide protection at more reasonable cost. On the other hand, if suggestions can be made that will improve the flow of work or provide accounting data not previously available to management, and at the same time strengthen internal control, management will be much more receptive.



# Balancing Charges on Goods Vehicles

## AGREEMENT REACHED WITH THE REVENUE

**E**VER since denationalization the Road Haulage Association has been grappling with the involved question of the liability of hauliers to pay balancing charges on the compensation they received for vehicles acquired from them by the British Transport Commission.

As the law stands, some of the operators at least have had no chance of escaping the liability completely and on their behalf the Association has concentrated on securing an agreement with the Inland Revenue for payment on the lowest possible scale.

### Formula Agreed

A conclusion has now been reached in the prolonged negotiations with the income tax authorities - which involved two test cases brought before the Special Commissioners, as reported in *The Accountant* of December 5th, 1959 (page 537) - and the Inland Revenue has agreed a formula which can be applied for the purpose of estimating open-market values (as at acquisition dates) of goods vehicles compulsorily acquired from road hauliers under the Transport Act, 1947.

In connection with the determination of liabilities to balancing charges of ex-hauliers, it had previously been established by certain decisions of the High Courts that:

- (a) compulsory acquisitions under the 1947 Transport Act did not constitute sales for the purposes of Section 17 (1) (a), Income Tax Act, 1945; and
- (b) in cases where there was technical succession by the British Transport Commission to the business of an 'acquired' haulier, that ex-haulier's vehicles fell to be treated, under Section 60 (1), Income Tax Act, 1945, as if they had been sold at open-market price on the acquisition date.

If it can be shown to the satisfaction of the Inland Revenue in the case of any ex-haulier 'acquired' before July 9th, 1952, that the British Transport Commission did not technically succeed to his particular road haulage business, he will have no liability to balancing charges by reference to the transfer of motor vehicles or other plant to the British Transport Commission on acquisition.

In cases where it is clear that the British Transport

Commission *did* succeed to the businesses of ex-hauliers, the Revenue will be prepared, for the purpose of computing balancing charges on (or balancing allowances to) the ex-haulier, to accept as the open-market values of the goods vehicles (including trailers) acquired from him, the following percentages of the relative (Section 47 (1), Transport Act, 1947) compensation values:

<i>Vehicles originally bought secondhand by ex-haulier:</i>	<i>Percentage of compensation</i>
Ex-W.D.	15
Others	35
 <i>Vehicles originally bought new by ex-haulier:</i>	
Before 1940	35
In 1940 and later	60

It is understood that the Inland Revenue will also give special consideration to applications for similar treatment from any ex-haulier whose cases, involving balancing charges, have already been settled (i.e. the relative income tax etc. assessments have become final) on a basis less favourable than the above formula, which the Road Haulage Association recommends for acceptance by its members as a convenient and reasonable solution of the problem in the general run of cases.

Hauliers to whom the formula applies and their accountants should take especial note of the terms of the foregoing agreement and should have it with them whenever they are discussing with the Inland Revenue authorities the subject of balancing charges on nationalized vehicles.

### Formula not Binding in Special Cases

The Road Haulage Association points out that although the formula will be accepted by all income tax inspectors as a basis of settlement, it has been made clear to the Inland Revenue authorities that there will be exceptional cases as far as certain hauliers are concerned. In such cases it should be understood that the formula is not binding on the haulier who is at liberty to take his own line and, of course, to justify any other figure he may compute as being, in his particular case, the market value of the vehicles that were taken from him.



THE  
ACCOUNTANT  
ANNUAL  
AWARDS  
for 1961

Selection of this year's winners of *The Accountant* Annual Awards for company reports and accounts has been started by the Panel of Judges, under the chairmanship of Mr K. W. Mackinnon, M.B.E., T.D., Q.C.

Nearly 800 entries have so far been received for consideration, but companies have until *January 31st* to submit their reports and accounts presented at annual meetings held in 1960.

#### New Member of the Panel

A new member of the Panel this year is Mr J. A. Hunter, M.B.E., T.D., a member of the Council of The Stock Exchange, London, and a partner in the firm of L. Messel & Co. The other members are:

Mr A. S. H. Dicker, M.B.E., F.C.A., a Past President of The Institute of Chartered Accountants in England and Wales.

Mr C. D. Gairdner, C.A., a member of The Institute

of Chartered Accountants of Scotland and a partner in a London firm of chartered accountants. Mr A. W. Giles, M.B.E., M.A., C.A., a member of The Institute of Chartered Accountants of Scotland and a managing director of Baring Brothers & Co Ltd.

Mr Donald V. House, F.C.A., a Past President and a member of the Council of The Institute of Chartered Accountants in England and Wales.

The Rt. Hon. Lord Latham, J.P., F.A.C.C.A., a Past President and a member of the Council of The Association of Certified and Corporate Accountants.

Mr Ian T. Morrow, C.A., F.C.W.A., a Past President and a member of the Council of The Institute of Cost and Works Accountants, and managing director of United Kingdom Optical Holdings Ltd.

Sir Richard Yeabsley, C.B.E., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales and President of The Society of Incorporated Accountants in 1956-57.

Mr Arthur E. Webb, Editor of *The Accountant*.

#### Lord Mayor to Present Awards

The Lord Mayor of London, Alderman Sir Bernard Waley-Cohen, has kindly consented to present the Awards at the Mansion House on May 30th.

Entries should be addressed to The Secretary, *The Accountant* Annual Awards, 4 Drapers' Gardens, London, EC2. The only condition of entry is that companies should be quoted on a recognized stock exchange in the United Kingdom.

## Taxation Case

*A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.*

### Philipson-Stow (No. 2) v. C.I.R.

In the House of Lords  
November 30th, 1960

(Before Viscount SIMONDS, Lord REID, Lord RADCLIFFE, Lord TUCKER and Lord DENNING)

*Estate duty - Property abroad - Immovable property - Trust for sale and conversion - Property retained - Deceased having life interest - Whether included for estate duty on his death - Finance Act, 1894, Section 2 (2) - Finance Act, 1936, Section 24 - Finance Act, 1949, Section 28 (2).*

The deceased was a tenant for life under residuary trusts created by the will of his father, who died in 1908, and who at the date of his death was domiciled in England. Among the residuary assets was a farm in the Union of South Africa. The will declared that the testator had an English domicile, and that it was his

wish and intention that his will should be construed and operated according to the law of England. By clause 25 the residue, wheresoever situate, was devised and bequeathed to the trustees for sale and conversion, but with the fullest power and discretion to postpone. The ultimate residue was to be held by the trustees as if the money representing it was capital money arising from the testator's settled estates, which were in England and which he had devised to the use of his wife for life, and then to his sons in tail male. The trustees retained the farm, and paid the income therefrom to the testator's widow during her lifetime, and after her death to the eldest son.

The Inland Revenue claimed estate duty, on the death of the son, in respect of the farm. It was contended by the trustees, on the other hand, that as the farm was immovable property abroad, the proper law governing its devolution was the law of South Africa; and that no liability to estate duty arose.

*Held:* (Lord Radcliffe dissenting) (reversing the decision of the Court of Appeal): the proper law, for the purposes of Section 28 (2) of the Finance Act, 1949, was the law of South Africa, both on the death of the testator and on the death of the tenant for life; and that the son's life interest in the farm was exempt from estate duty.



# The Economic Situation

by J. R. CUTHBERTSON, B.A., F.C.A.

Head of Intelligence Department, Lazard Brothers & Co Ltd

**A** FEW months ago I explained to a small group of accountants my general approach to the problem of economic forecasting. It seems that some of those present found this approach helpful, and this resulted in an invitation to repeat the performance.

What I am going to say falls into four sections. Firstly, I must say a few words about my general approach. Secondly, I must expand a little on this theme to set the stage for any crude references I may make to actual reality – that is to say, to matters which I should naturally have preferred to avoid. Thirdly, I must sketch in certain salient features in the post-war economic history of the United Kingdom and the rest of the world; in doing so I hope to make clear where in my opinion we stand at the present time. Finally, I shall have a few entirely injudicious remarks to make regarding what may lie just round the corner.

## General Approach

We start, then, with the question of general approach to the subject. As a working economist in a business concern I am obliged, whether I like it or not, to keep a crystal ball. There are various models on the market, ranging from the cheap type (which clouds over whenever you ask a difficult question) to the university model (which gives very complicated and even perverse answers nobody can understand). What I demand of my own crystal ball is that it should function on the lines of a classical Greek tragedy. By this I do not mean that it must always forecast death and decay – though doom and disaster usually appeal to the business man's sense of realism; I mean that its conclusions must be the logical, if not inevitable, end of a train of events and interplay of forces already on the march. It must conform with my belief that, on the whole, similar causes tend to have similar and predictable consequences. That, in turn, means that it must be as old fashioned as I am in believing that the phenomenon known as the 'trade cycle' is still with us, and its predictions

must fall within the framework set by what we know of cyclical patterns.

I wish I could spare the time to talk at some length regarding the importance of both general and particular cycles in economic forecasting. Economic life is full of them. The disturbances set in train by the post-war shipbuilding boom and the abnormal birth-

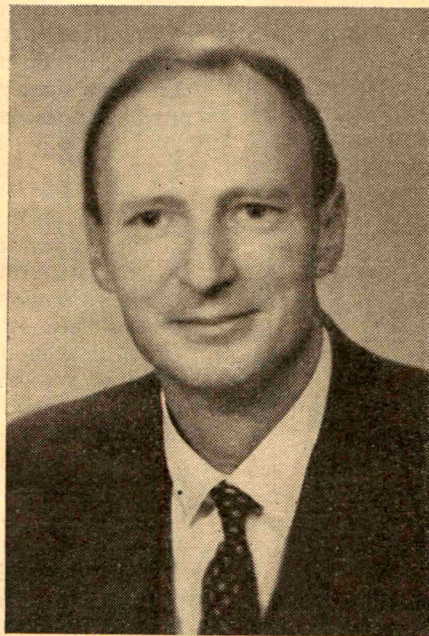
rate of 1947, for example, are likely to cause not just ripples but considerable waves at least up to the end of the present century. But I must confine myself to my allotted task of presenting the present situation to you as a rather typical stage in a classical trade-cycle pattern. I hope to show that most of the pieces in the jig-saw puzzle fall neatly into place when this is done.

I am not going to claim that all cycles of high activity followed by recession are the same in detail, but I do say that such cycles have certain very clear characteristics. For example, one does not find depths of recession marked by high interest rates and an increased flow of orders for capital goods; nor does one find the height of a boom characterized by heavy unemployment and plentiful supplies of credit. There is a normal

rhythm and sequence which I can outline very quickly. At the low point in a recession, unemployment is high, interest rates are low, and credit is plentiful. Capital goods are obtainable with early delivery dates and at attractive prices. Business inventories in general are being run down. Finally, plant and machinery are wearing out and obsolescing, and manufacturers are becoming more and more conscious of the need to put in new equipment. Recessions do not go on for ever, because even in the absence of deliberate Government stimulus, certain forces must sooner or later come into play.

## Pattern of Boom and Recession

In the first place there is an absolute limit to the running down of inventories. As soon as inventories have reached a practical minimum, there is an automatic recovery in demand, since the goods being sold



Mr J. R. Cuthbertson



must come from current production instead of partly from stock. This recovery in demand will mean a rise in incomes, and a revival of business optimism. In the second place, low interest rates and plentiful funds have a highly stimulating effect on the building industry. Higher building activity means higher incomes for the wage-earners in the industry, and rising demand for a wide range of industrial goods. If recession continues for long, industry reaches a stage where replacement of plant and machinery becomes technically essential, thus adding a third natural element of stimulus to the economy. In any case, however, once inventory liquidation has ceased and building activity has revived, business men soon start thinking of rising markets and future demand to be satisfied. Plans to replace and modernize equipment, and to expand capacity, are pulled out of pigeon-holes or formed for the first time. Once activity in the industries producing capital goods begins to revive, full-scale recovery from recession begins to flow strongly, and will henceforth proceed under its own momentum until a stage is reached where the forces making for the next recession begin to come into play.

As in the upswing, so in the downswing, the building industry usually leads the way. It runs into a period of high interest rates and shortage of mortgage funds resulting from a steady increase in the demand for money by industry, both to hold rising inventories and to finance expansion schemes. The rise in inventories has a natural limit, and as soon as inventories level off, demand receives a check because that part of current production going into inventory accumulation is no longer required. Finally, even if the alarmed attempts of monetary authorities and Governments to contain the rising pressure do not in themselves induce a mood of caution, bringing a slowing down in the demand for capital goods, the natural tendency both to install capacity for a higher future level of demand and to plan for stealing a higher share of the market at the expense of competitors usually leads to over-expansion by certain industries, fear in the rest that a similar fate threatens, and a consequent decline in forward orders and check to expansion plans. Whatever the initial cause of the decline, the cycle feeds on its own momentum once it has begun, until the natural checks with which it began this outline come into play, or until artificial respiration is given.

In these days one must partly rewrite the story of economic fluctuations because of the ever-growing importance of Government intervention. One expedient in particular must receive detailed mention; this is the ability of the authorities to turn the tap of consumer demand on and off by changing the hire-purchase regulations. The effects of such changes can be quite violent, and are felt immediately. It is not surprising, therefore, that the temptation to use this weapon has proved so great. Spotting imminent changes in the hire-purchase regulations is now a popular pastime with business economists, and such

changes have become part of boom and recession.

I will have something to say about the purchase market later, but I will anticipate to the extent of saying that interference with the purchase regulations is a dubious weapon; the quantitative effects of a given change are not easily predictable, and it is my own view that one reason for this is the existence of a concealed credit cycle provoked by previous interferences. If, for example, you bring a large number of people into the 'never-never' in one bunch, they tend to be out of the market for whatever maximum period is fixed by the regulations of the time, and then to return in a bunch once more. Uncertainty regarding the size and shape of the underlying cycle makes the result of changing the regulations difficult to predict; you may pull the lever and find that nothing happens, as on two occasions in 1955, or you may pull it with disastrous effect so that either the bottom falls out of the market, or you provoke an uncontrollable boom.

### Background to Current Position

Now let us take a look at the actual background to the current position of the United Kingdom economy. I start with America, partly because the state of America's economic health has a powerful effect on the world economy as a whole, and partly because the American economy returned to normal more quickly after the war than the war-shattered economy of Europe. America has had three post-war recessions, and many observers fear that she has already entered a fourth. She has also had two sizeable booms. Chart I displays very clearly the ups and downs of the main constituents in the American economy, and also their timing.

The vertical lines mark the turning points from recession to boom. You will observe the early upsurges in private housebuilding, followed by slow decline whilst inventory building proceeds apace and capital equipment orders flood in; the latter reach their peak a year or more after housing starts have begun to decline. The decline in housing activity is later reinforced first by a steady decline in the rate of inventory building and later by brief periods when the long-term growth in inventories is temporarily reversed. Finally, activity in the capital goods industries falls away as the back-log of orders is worked off; the decline in activity comes considerably later than the falling off in orders shown by the chart.

Now let us take a look at Europe. The upsurge of economic activity there, once the worst dislocations of the immediate post-war period were overcome, has been so strong that economic progress at first sight appears to have been almost uninterrupted. It has, however, suffered from two checks or setbacks which at a time of less furious growth would have ranked at least as minor recessions. The task of displaying the European cycles would be a great deal easier if the statistical data available were not so



Something has certainly gone wrong with the pattern of events in the Dollar Area, just as it did for a time in 1955. Recovery from recession began there quite normally, but was severely dislocated by the prolonged steel strike. Contrary to expectation, the end of the strike was not followed by the expected rapid rebuilding of inventories, nor by the expected further expansion in orders for capital goods. The rocket, in fact, has now followed what is becoming an established American custom, and has gone off course with due publicity. Your American counterparts are being partly blamed for the inventory situation; the steel strike is said to have brought a general realization that with the help of advanced accounting control, businesses – particularly large and complicated ones – can get by with much smaller stocks. I have no means of judging the force of this contention, but there is certainly no recent precedent for a movement by the American economy into serious recession before inventories have risen to a higher level than that at which they now stand in relation to sales.

The check to orders for capital goods has a close counterpart in 1955, and even the current actual decline in orders for machine tools would have been there in 1955 but for a spate of orders by the Air Force. What I find more ominous is the fact that order books for durables in general and machine tools in particular are much shorter than at a comparable stage in 1955. It seems probable that the American economy is about to run into a downward movement in demand for consumer durables, but this has its exact counterpart in the bad 'car year' 1956. There appears to be a distinct cycle operating in the field of consumer credit, closely connected with the bunching together of consumer durable purchasers when restrictions were removed after the Korean War.

On the other hand, it is known that American defence expenditures are expanding and will be much higher in 1961. The Presidential Election itself probably provided a reason for temporary hesitation by business men. The Federal Reserve Board has moved in very early with vigorous steps to reduce interest rates and expand credit supplies, and this is already stimulating private house building. Finally, Presidential candidates, particularly in circumstances such as the present ones, always promise to spend money, and most new Presidents are unable successfully to renege on every single election promise.

### Outlook in Europe

When rockets go off course almost anything can happen, but unless there are quite unexpected developments in the political field, I personally expect the American economy to resume its expansion in 1961, leaving economists arguing about whether the current *malaise* ranks as a recession or not.

If America is unlikely to throw a spanner into the works, what of Europe? I take the view that in this case the only likely troubles will be man-made, and that only human blindness and bad management

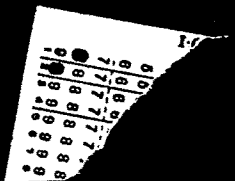
have to be feared. People who use blunderbusses to swat flies can be a menace, particularly if a lot of innocent people happen to be in the target area. Some months ago there was a real danger that Germany, preoccupied with the problem of her own state of over-full employment, would use the most convenient weapon to hand – namely, a further sharp increase in interest rates. Had she done so, countries such as Holland and the United Kingdom which are much more sensitive to the level of interest rates would have had to follow suit to protect their gold reserves, and this in a short space of time might have dislocated their economies to the point of bringing a downturn in activity which would have spread throughout Europe. This danger has been well ventilated, and the Germans are now well aware of their international responsibilities; but they are very much obsessed with the overriding importance of their own problems.

### Sales Decline Brewing?

A second danger lies much closer to home. The industries producing passenger cars and other consumer durables in this country are going through a bad patch, mainly as a result of the hire-purchase restrictions. Apart from the home market, however, there is reason to fear that our exports of passenger cars to North America will suffer severely in 1961 from the competition of the 'compact' car, and the decline in this market will be intensified if I prove right in suspecting that the American car market as a whole will have a bad year because of a downturn in the consumer credit cycle there. We shall then have to put up with a smaller share of a smaller market. The aircraft industry in this country also faces a decline in activity because of the dearth of competitive models. If the situation in these two industries does not get much worse, the resources of manpower and engineering capacity released should readily be taken up because of expanding activity elsewhere, and will help to postpone the return of excessive pressures in the economy. The outlook for consumer durables, however, is very uncertain. The effect of last May's restrictions may soon wear off, but a natural sales decline may now be brewing as a result of the twenty months of furious buying on credit between October 1958 and May 1960. I am convinced that every change in the regulations induces a cycle of buying and repaying in a section of the consuming public, and when you have at least two such cycles – each of unknown amplitude and uncertain period – operating in the background it is anyone's guess whether at a certain time they will operate in the same direction or merely conflict and cancel each other out.

This uncertainty is further increased by a special built-in characteristic of our post-war economy. The more lay-offs and slack time are reported in the car industry, the more likely it is that purchasers will anticipate either a reduction in purchase tax when the Budget comes round, or a relaxation in the hire-

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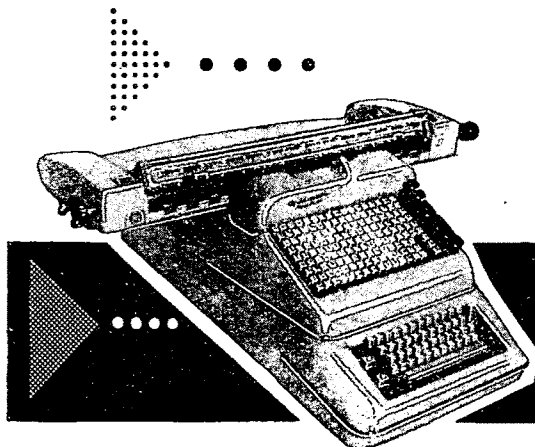
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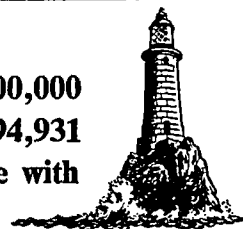
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•purchase restrictions. They will then postpone purchases they would otherwise have made, and the bottom might fall out of the market for a time in the New Year. The vehicle and aircraft industries are so important in our economy, when account is taken of the indirect as well as the direct employment which they give, that a severe slump in this sector might have a sufficiently depressing effect on business sentiment to throw the whole economy into recession. Economics is very much a matter of vicious circles, and once business men begin cancelling orders, reducing inventories, and revising plans downwards, it may be very difficult to stop the trickle before it has become a flood. The authorities may have to be quick off the mark with the easing of hire-purchase restrictions, but if they move too soon and too violently, perhaps motivated by quite unnecessary fears, they may quickly reproduce the excessive pressures which were building up in the early summer of this year. Tinkering with the hire-purchase regulations always look attractive at the time, but they tend to be like the new medicine which cures the germ and kills the patient.

Finally, I may briefly mention another current worry, the possibility of a Europe-wide recession in the textile industries, where there appears to be an established phenomenon known as a 'pipeline cycle'. Evidence of over-ordering and over-stocking by merchants and retail businesses has been growing, and once the Christmas trade is out of the way, there may be a nasty let-down for Lancashire.

These potential weaknesses would be much more disturbing if the general tide of capital goods expenditure, building activity, and consumer spending were not flowing so strongly, and if the general inflow of export orders were not on a rising trend likely to continue for some time to come. As it is, there is fodder for the pessimist, but – I think – a balance of advantage for the optimist. Both in Europe and this country, it looks as if the main cycle has some time to run before anything approaching a general downturn is due. I am encouraged by precedent to state firmly that while it is not uncommon to meet a cat without a smile, a smile without a cat is very rare outside the pages of *Alice in Wonderland*. Recessions of a serious nature are not normally to be expected until either inventory building has gone to totally unrealistic levels, a capital goods boom has continued for several years and resulted in large additions to productive capacity, or speculative positions have been built up which eventually collapse and bring business confidence down to zero.

It is, of course, difficult for an economist to avoid being in the position of a Foreign Office expert shut up in a small room, supplied daily with three-month-old newspapers, and then suddenly asked for a vital appreciation of a day-old crisis. The figures we see are mostly old stuff, and we can – and do – go wrong. I am comforted, however, by the thought that bankers have umbrellas, while chartered accountants can always collect a nice fat fee for tidying up a bankruptcy.

## Eighth International Congress

NEW YORK, SEPTEMBER 23rd–27th, 1962

A preliminary outline of the programme for the Eighth International Congress of Accountants to be held in New York from September 23rd to 27th, 1962, has now been issued by the American Institute of Certified Public Accountants, the organizing body. The theme of the conference will be 'Auditing and financial reporting in the world economy', and the outline programme is as follows:

### **Sunday, September 23rd, 1962**

*Afternoon:* Church services.

*Evening:* General reception and buffet supper.

### **Monday, September 24th**

*Morning:* Plenary session – three major addresses.

*Noon:* Group luncheon for men; ladies' luncheon.

*Afternoon:* Ten simultaneous identical subject sessions in groups of about two hundred.

*Evening:* Entertainment.

### **Tuesday, September 25th**

*Morning and afternoon:* Fifty simultaneous discussion groups of about twenty-five persons, including luncheon for each group.

*Noon:* Ladies' luncheon and fashion show.

*Evening:* Delegates' dinner; entertainment for non-delegates and ladies.

### **Wednesday, September 26th**

Free day for organized tours and other entertainment.

### **Thursday, September 27th**

*Morning:* Plenary session closing conference.

*Afternoon:* Free.

*Evening:* Grand ball.

### **•Friday and Saturday:**

Inter-American Accounting Conference.

The organizers hope it may be possible to limit the registration fee to \$40 per person; it is also hoped that arrangements can be made enabling participants to obtain hotel accommodation and food from \$15 a day per person.

In addition to the official delegations of the participating bodies, it is anticipated that many individual members and their ladies will find it possible to attend the Congress and a letter sent by the President of the Congress to the accountancy organizations asks for an early indication of the probable numbers. The organizations concerned are taking steps to comply with this request as soon as practicable.

# Weekly Notes

## New Year Honours

IT is with pleasure that we offer our congratulations to those members of the profession whose names appeared in the New Year Honours List.

In the Foreign Office List, Mr Alfred Norris, O.B.E., F.C.A., resident in São Paulo, Brazil, receives the K.B.E.

Four members of the profession receive the C.B.E.; they are Professor Robert Browning, M.A., LL.B., C.A., senior partner in the firm of John E. Watson & Co, Chartered Accountants, of Glasgow, who has been chairman of East Kilbride Development Corporation since 1958 and is Professor of Accountancy at Glasgow University; Mr J. R. Copley, A.A.C.C.A., governing director, Rinovia Steam Fishing Co Ltd, for services to the fishing industry and as adviser at conferences on the International Law of the Sea; Mr A. L. Imrie, C.A., F.I.M.T.A., Vice-President of The Institute of Municipal Treasurers and Accountants, and City Chamberlain



Professor R. Browning  
C.B.E.



Mr A. L. Imrie  
C.B.E.

of Edinburgh since 1951; and Mr E. Parker, O.B.E., F.C.A., for services to the United Kingdom community in India.

The O.B.E. has been awarded to Mr W. L. Bloomfield, F.C.A., managing director, Nigerian Produce Marketing Co Ltd; Mr P. R. Lindley, F.C.A., financial secretary, King George's Fund for Sailors, and Mr A. R. Shove, F.A.C.C.A., assistant director, Board of Trade.

The M.B.E. has been awarded to Mr E. W. Raby, F.S.A.A., F.I.M.T.A., formerly deputy chief accountant, Yorkshire Electricity Board, and to Mr J. E. Scurrah, F.C.A., finance officer, British Wool Marketing Board.

## Building Societies' Annual Return

CONSEQUENT upon the new Building Societies Act, 1960, coming into force, the Annual Account and Statement (A.R. 11) which had to be submitted to the Chief Registrar of Friendly Societies has now been replaced by the Annual Return (A.R. 11 (1960)). Copies of this form are now available and may be had for 9d each from the usual suppliers. The document which runs to sixteen pages is accompanied by a four-page memorandum (F.680) entitled 'Notes for guidance in completing the prescribed form of annual return for building societies' and clearly marked with the directive 'A copy of these notes should be handed to the auditors before the audit is commenced'.

The significance of the new annual return to auditors is made clear in the statement on building society accounts which the Council of The Institute of Chartered Accountants in England and Wales issued last month for the guidance of members and which was reproduced in our issues of December 24th and 31st. It is important, for example, to note that the reporting auditor is not called upon to comment on every section of the return. His main concern is with the accounts and supporting schedules as to the accuracy of which he should already have satisfied himself in the course of the audit. In the case of Schedule 3, however, which deals with the disclosure of advances to any director or the manager or secretary of the society in question or to companies in which these individuals may be interested, he must indicate in his report that, for these particulars, he has had to rely upon information supplied to the society by the officials concerned. Also, he must make sure that any reservations he has made in his report on the annual accounts must be contained in his report on the annual return.

No specific wording for the auditor's report on the return is suggested in the memorandum issued by the Chief Registrar but the statement of the Council of the Institute proposes a suitable form which will no doubt become standard.

## The Charities Act, 1960

THE Charities Act, 1960 (other than the few provisions of it which were operative from the passing of the Act last July), came into effect last Sunday. Charity trustees who have not already considered its implications should accordingly make haste to do so.

One of the first points to be considered is inclusion in the register of charities for which provision is made by Section 4 of the Act. The compilation of the register must be spread over a number of years and it seems likely that in the case of charities which were in existence before January 1st, 1961, the registration requirement will be imposed on a county basis, and that it will not be incumbent on trustees to apply for registration of their charity until they

have notice that the Charity Commission or, as the case may be, the Ministry of Education is dealing with the charities in their county. Presumably, wide publicity will be given of directions of the Commissioners and the Minister as regards registration. If a charity extends to more than one county, it seems that it will require registration in respect of each county affected: but regulations will doubtless make this point clear. A charity which came into existence on or after January 1st is immediately registrable, and the trustees should accordingly apply at once to the appropriate authority (i.e. the Commissioners or, in the case of an educational charity, the Minister) for the appropriate forms. Some trustees may feel that their charity is such that it may qualify for exception from the registration requirements under paragraph (b) of Section 4 (4), or it may not require registration as being within paragraph (a) or paragraph (c) of Section 4 (4), but the advantages of registration are considerable – an institution is conclusively presumed to be charitable as long as it is on the register – and it seems likely that there will be many voluntary registrations.

Charity trustees should bear in mind the requirements of Sections 8 and 32 as to accounts. The new machinery for keeping a check on the accounts of charities seems likely to be much more effective than the old. By virtue of the transitional provisions contained in Section 48 (6), The Official Custodian for Charities has succeeded both The Official Trustee of Charity Lands and The Official Trustees of Charitable Funds and property formerly vested in them has automatically vested in The Official Custodian.

### Transfer Stamp Duty

THE Stock Exchange Council has published a letter which it has received from the Board of Inland Revenue clarifying the position as regards transfer stamp duty where stock is bought and sold by an arbitrageur (or other person acting as a principal) in the same stock exchange account, but owing to delay in obtaining the name of the ultimate purchaser overseas the stock is first transferred into the name of the arbitrageur or other principal or his nominee and is subsequently transferred by a separate instrument into the name of the ultimate purchaser or his nominee. In the past there has been some doubt in the minds of some stock exchange firms as to the stamp duty liability, and in the exceptional circumstances the Stock Exchange Stamp Office has been instructed to deal flexibly with transactions relating to the stock exchange account ended December 9th, 1960, or earlier, on the basis of passing the second transfer for ros where that course is appropriate.

The Revenue have now been advised, however, that each of the transfers is a transfer on sale and liable to 2 per cent *ad valorem* duty, and they will expect all current and future transactions to be dealt with strictly in accordance with the law.

### Taxation of Overseas Mining

AT the fifteenth annual meeting of the British Overseas Mining Association, held on December 21st, Mr Val Duncan, O.B.E., the President, drew attention to the serious effect of United Kingdom taxation on the British mining industry overseas. The difficulties of the industry in this respect are, indeed, shared by overseas trade corporations generally. So far the representations made by the Association to the Government have not met with a satisfactory response.

The events of 1960 had, Mr Duncan believed, made even stronger the Association's case for tax reform. Those events – particularly in Africa and in Cuba – had underlined the risks inherent in overseas mining, where sequestration may mean the complete loss of a company's assets. This had all happened at a time when governments and international bodies were urging the importance of developing the under-developed territories and urging private enterprise to play its part.

As our tax laws stood at present, said Mr Duncan, a British mining group, with subsidiaries resident outside the United Kingdom, could not apply its profits from these overseas subsidiaries to the best economic advantage. Furthermore, any tax concessions which might be granted abroad to induce mining companies to take the risks inherent in the development and exploitation of mineral deposits overseas were not recognized by the United Kingdom Government. The mining industry, like its counterparts in other highly developed countries, was private enterprise employing shareholders' money. There could be no question as to the risks inherent in many of the most urgently needed developments. The leaders of the industry could only be justified in running those risks with their shareholders' money if they could see a reasonable chance of those shareholders reaping a commensurate reward. Our taxation system did not make this possible, and unless the taxation laws could be amended as the Association had proposed, it would be difficult, if not impossible, for the British overseas mining industry to go on playing its full and important part in developing the resources of the world. The problem was by far the most important one with which the Association was concerned.

### Finance of Public Companies in 1958

IN *Economic Trends* for December (H.M. Stationery Office, price 3s) an analysis has been made of the financial experience of public quoted companies in 1958. Interest in these statistics is heightened because they cover the period of financial crises in September 1957 when Bank rate was raised to 7 per cent. The tables deal with companies engaged mainly in the United Kingdom in manufacturing, distribution, construction and transport. In most cases companies are public ones whose shares are quoted on a stock exchange but certain unquoted companies have been included because of their importance. The figures for 1958 relate to companies whose accounting year

finished between April 6th, 1958, and April 5th, 1959. Comparative years are similarly defined.

The accounts reflect to some extent the tight credit conditions which developed when Bank rate was raised to 7 per cent. For example, the tables show no increase in the value of stocks and work in progress nor in Bank loans between 1957 and 1958. Trade credit granted and received grew much less between 1957 and 1958 than it did between 1956 and 1957.

A larger proportion of investment was self-financed in 1958 than in any earlier year in the analysis. There was also a change of the trend apparent since 1953-54 for companies' liquidity ratios to fall. Quoted companies were net borrowers of loans while non-quoted companies were large net savers. There was no new trend on saving and investment in 1958, and indeed, there was remarkably little change on this point over a five-year period. In the average year between 1953 and 1959 savings expressed as a percentage of investment were 88 per cent for quoted companies and 93 per cent by 1958. The corresponding figures for all companies were 119 per cent and 117 per cent. As would be expected, small concerns continued to show a tendency to make provision for capital investment out of their own resources, while the big companies could go to the public.

### Another Insurance Merger

THE trend towards amalgamation in the insurance world continues with the announcement last week that the Royal Insurance Co is to make an offer for London & Lancashire Insurance Co. If the merger is completed it will be the largest ever to have been effected in this country. The Royal has offered about £51 million for London & Lancashire and the total assets of the group after amalgamation will be about £409 million. The merger will have little effect on the composition of the Royal's business except that it will increase interest in marine business and reduce the proportion of its premium income from the United States. Proportionately, and of course absolutely, the Royal has a bigger interest in fire and accident business than London & Lancashire. An assurance has been given to the staffs of both groups that existing rights and privileges will be preserved. It is intended to reserve the separate entity of London & Lancashire but this is not expected to stand in the way of measures of integration where these can bring an advantage.

### Easier Exchange Control Formalities

FROM the beginning of this month a further modification has been introduced in the use of Sterling Transfer Form or Form E, when payment is made outside the sterling area for imports into the United Kingdom or Channel Islands. In July 1959 and January 1960 the exemption limit for the completion of these forms was raised in two stages from £250 to £500. The limit has now been raised to £2,000. From now on no form will be needed by the bank

authorizing payment for imports up to and including £2,000 unless they form part of a larger payment. In addition, payments over £2,000 will not need an application form where those applying to make payment can produce to a bank evidence of actual importation, that is to say a certified exchange control copy of the relevant customs entry.

This raising of the limit is expected to reduce the number of forms completed annually by banks and firms by about 300,000, some 60 per cent of the present number of exchange control forms for imports from non-sterling area countries of origin.

The main purpose of exchange control at present is to control capital movements. Proof of payment is necessary to ensure that people are not under-invoicing their exports or refraining in other ways from paying for them. In the case of imports it is to ensure that payments do not mask a capital transaction.

### Industrial Co-operation in Action

THE Organization and Methods Training Council, now in its fourth year, has recently been re-organized. The original nine companies which agreed to pool their experience in reducing the cost and increasing the efficiency of administrative methods, and to make their experience available to British industry, have now been joined by twelve more companies.

#### New members

Bristol Aircraft Ltd  
British Nylon Spinners Ltd  
J. & P. Coats Ltd  
Courtaulds Ltd  
The General Electric Co Ltd  
Gillette Industries Ltd  
Guest Keen & Nettlefolds Ltd  
Harris Lebus Ltd  
Honeywell Controls Ltd  
Metal Industries Ltd  
Monsanto Chemicals Ltd  
G. & J. Wier Ltd

Sir Thomas Hutton, formerly director of the British Productivity Council, is chairman of the Council, Mr J. E. Wall, managing director of Electric & Musical Industries is deputy chairman, and Mr G. E. Milward is director of training. Messrs Peat, Marwick, Mitchell & Co, are the secretaries.

During its first three years the Council has trained nearly three hundred men and women and has published a standard textbook *Organization and Methods*<sup>1</sup>, the first of its kind. The courses arranged by the Council are residential and of one month's duration. The training is severally practical and consists chiefly of subjects and problems based on the practical experience of one of the member companies.

Because this training relies mainly upon the interchange of experience and because the number of experienced men is limited, the Council has deliber-

<sup>1</sup> Published by Macmillan & Co Ltd, London, reviewed in *The Accountant*, November 28th, 1959.

ately proceeded gradually and further expansion must, for the present, necessarily be limited.

The Council has designed, tested and used various novel methods of teaching suited to their special clientele, which ranges from senior clerical staff to directors, and includes accountants, engineers, graduates and highly experienced O. & M. staff.

In addition to the courses, the Council has called a number of short conferences and further ones are planned for 1961. Each of these has the specific and

limited purpose of studying a variety of O. & M. applications, for instance: to exchange the experience gained by different companies in setting up and managing an O. & M. department; to compare the diverse approaches employed by O. & M. teams in simplifying management information; and, with the help of some technical colleges, to work out a syllabus for preliminary training in methods work in the office which, the Council hopes, will be demonstrated by technical colleges and examined by professional institutions.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 58

I WAS away with a cold early this week, so yesterday evening I stayed on late to clear up some odd correspondence and finally left my room at 7.30 p.m.

Just outside our main office, on the first floor, a little man was standing alone in the gloom, with a sort of hesitant, worried look, so I went across to ask if I could help him. He was a stranger so far as I could see, and had no right to be there. 'I just came back to look for something,' he said vaguely. Then seeing my inquiring look, he added: 'I'm Dick Browne, sir, the factory traveller, for the southern area.'

I didn't remember meeting him before, but then, we have some part-time commission men who visit us infrequently, so I just repeated my query. 'They've sacked me,' he said. 'My cash was short when I turned it in . . . a lot short . . . over eighteen hundred pounds. But 'twasn't I who took it, sir, really.'

I was rather staggered by his statement, as our directors are normally more than just and never hasty with erring employees, but he repeated his remark. 'It was all right when I counted it in the morning; I locked it in my desk—my own desk—while I reported to the factory manager. When we came back, I handed the bag to the chairman, who went off with it to the cashier. It was stuffed with old paper when he opened it.'

Somehow his story seemed less than the whole truth, but some further questioning filled in the gaps. Apparently he had been doing a really good journey before Christmas and had collected some big remittances, mostly in cash, from customers flush with their seasonal takings. Unfortunately, the factory manager had taken him out to celebrate—excessively, it would seem—and his room could easily have been entered in his absence. He returned to find Nemesis awaiting him.

'The boss was just standing there, sir. Real furious'

he was. Said I'd missed the day's lodgement . . . and how I'd disgraced myself . . . someone had spilt some beer on my coat, you see. So he took the bag, and I went to wash. When I came back, they told me to get out . . . after forty years' service . . . and all the crowd staring . . . I've not been able to rest since.'

\* \* \* \*

He was oddly pathetic standing there, with his eyes beseeching but his head held up gamely; I felt an urge to give him comfort. Besides, his story was odd. He had given up his unopened cash bag to the chairman of all people without getting a clear receipt; the chairman had gone off with it, alone, to a cashier on another floor. Nobody had fought the man's case for him. 'Twasn't the first time I'd had a drink or two, sir. But I didn't steal the money.'

I urged him to go home to bed and I'd look into it tomorrow and telephone him if there was any chance of a reprieve; but he shook his head dully. 'Been trouble at home,' he said. 'I never go there now . . . too late to make a fresh start . . . I only learned later that the chairman had been gambling a lot.'

\* \* \* \*

He obviously needed someone to look after him, to give him a friendly hand in his extremity. There had been a case before the '14-'18 war of some poor old fellow who'd drowned himself after being sacked. I stepped to the stair-head to call to our night doorman below. The traveller's whisper sounded far away behind me. 'It seemed the only thing left to do, somehow.'

• Something nameless in his voice swung me round in mid-stride. There was no one there. The long room was empty of all but shadows; the old panelled wall glimmered back the dull light from the bulb above. But there seemed a shadowy stain on the woodwork opposite, just where exactly fifty years ago old Browne stood to be dismissed in disgrace for theft and drunkenness, before he walked down in his despair to the bridge above the weir. Dismissed by a chairman who'd beggared himself at Newmarket later . . . who'd taken the bag from the trusting old employee.

\* \* \* \*

Maybe I had hallucinations, coming in too soon after the 'flu? Maybe not. I'll never know.

NOTES.—1. The currency proportion of the receipts and expenditure in the above account has been converted at the average monthly rates of exchange.

2. As stated in Note 5 on page (25) the Company suspended its railway operations in Bolivia on 18th February 1959. For accounting purposes, that date was subsequently considered as 1st February, 1959. Therefore, the Receipts in the Gross Revenue Account so far as concern the Company's own lines in Bolivia, and in the Net Revenue Account so far as concern the Bolivia Railway Co.'s lines, relate only to the month of January, 1959. Expenditure includes not only railway operating expenses for that one month in Bolivia but other expenses, incurred during the whole year 1959, in connection with the withdrawal from Bolivia of the majority of the Company's contract staff and in maintaining the now greatly reduced representation there. All comparative figures, however, correspond to the whole year 1958.

As a result of the suspension of operations of the leased lines in Bolivia, no rentals were paid for 1959 by the Company to the Bolivia Railway Company. Other income available for distribution by that Company, however, has only been sufficient to pay for the year 1959 a much reduced rate of interest on the £4,029,940 5 per cent. Mortgage & Collateral Trust Income Bonds, Series "B".



requested by the company were indispensable for the economic operation of the railways.

The Commission rejected the board's offer of a lease-sale of the railways to the Government and stated that during the transitional period, the administration would continue to charge the company with the operating deficit. As will be observed in the notes above the directors' signature to the balance sheet, the liability is refuted.

In his statement accompanying the accounts, Mr Drayton was able to say that talks might shortly recommence with the Bolivian Government. With the situation as it was in Bolivia, it was fortunate the company had obtained a satisfactory year's operation in Chile. This was due to some increase in traffic but also largely to the authority obtained from the Chilean Government in April 1959 to adjust rates generally to the level of the State Railway's rates which in most cases were higher than the company's rates.

At the annual meeting Mr Drayton was able to confirm that talks with the Bolivian Government were actually being held in La Paz, but they were confidential and it would therefore be impolitic and prejudicial to say anything about them at that juncture. There was no doubt, he said, that since the company suspended operations, the running of the railways had continued at a heavy loss and the loss figures were now being investigated by the company's representative in conjunction with the Bolivian Commission.

As an instance of the conditions still reigning in Bolivia, Mr Drayton referred to the general railway strike which began on November 26th, 1960. Although this was settled on December 3rd, he understood a further stoppage was threatened.

It will be noted from the accounts that the company has been able to catch up with arrears of Preference dividend and is paying 2 per cent on its Ordinary stock – the first payment since 1956.

In the circumstances it was inevitable, of course, that the auditors would have to make their position clear. Owing to the conditions existing for the company in Bolivia, they state, accounting records were not completed and the auditors were unable to obtain the information and explanations necessary for audit purposes.

The auditors add that 'the officials of the company in Bolivia are of the opinion, however, that no material adjustments will arise when their records are properly completed and our associated firm states that they have not encountered any circumstances which would lead them to believe otherwise. The remainder of this report is subject to these observations'.

It is a sorry state of affairs but one cannot help wondering what might be the state of public opinion in this country if British Railways were owned by a South American company – and what the Government White Paper might have to say in that connection.



THE ANTOFAGASTA (CHILE) & BOLIVIA RAILWAY COMPANY, LIMITED  
BALANCE SHEET, 31st DECEMBER, 1959

1958	£	1958	£	1958	£	1958	£
<b>CAPITAL:</b>							
5 per cent. Cumulative Preference Stock	2,000,000	Issued.	2,000,000	Authorised.	2,000,000	1958	£
Consolidated Ordinary Stock	6,415,344	..	6,415,344	..	6,415,344	1958	£
Ordinary Shares of £1 each	—	..	1,084,656	..	—	12,381,353	12,402,709
	8,415,344	£9,500,000	—	8,415,344	—		
<b>DEBENTURE STOCKS—Secured—See Note 2:—</b>							
5 per cent. Perpetual Debenture Stock	1,000,000	..	1,000,000	..	1,000,000	157,520	157,520
5 per cent. (Bolivia) Debenture Stock	1,408,950	..	1,408,950	..	2,408,950		
<b>RESERVES:</b>							
<b>Capital Reserves—</b>							
Debenture Redemption Reserve	594,925	..	594,925	..	749,018		749,018
* Equipment Fund (Expenditure on this Fund amounted to £1,537,220; 1958—£1,492,836)—see Note 1	1,414,793	..	1,426,881	..			
<b>Revenue Reserves and Unappropriated Profits—</b>							
General Reserve	1,150,000	..	1,150,000	..	2,992,246		2,992,246
* Contingencies Reserve	652,517	..	652,549	..			
Exchange Reserve	325,000	..	325,000	..	16,280,137		16,301,493
Revenue Account—balance	431,250	..	523,105	..			
Reserve for Specific Purposes—		..	2,650,654	..			
Reserve for future liability to United Kingdom Income Tax	13,044	..	13,416	..			
	15,405,823	..	2,664,070	..	160,000		160,000
		..	15,510,170	..			
<b>CURRENT LIABILITIES:</b>							
<b>Creditors—</b>							
London	52,631	..	20,447	..	656,324		613,244
Chile	382,613	..	797,308	..	528,610		524,598
Bolivia	442,222	..	221,514	..	1,184,934		1,137,842
Bank Loans and Overdrafts—		..	1,039,269	..			
Chile	25,616	..	—	..			
Bolivia	63,648	..	—	..			
United Kingdom Taxation including Income Tax assessment 1959/60	242,992	..	91,324	..	12,323		6,176
Amounts owing to Subsidiaries	250,177	..	238,641	..	472,312		859,020
Accrued Interest on Debenture Stocks, less Income Tax—secured	17,622	..	18,372	..	549,987		244,523
Stockholders for dividend on 5 per cent. Cumulative Preference Stock for 2 years to 31st December, 1959, less Income Tax (since paid)	—	..	122,500	..			
Stockholders for proposed dividend of 2 per cent. on Consolidated Ordinary Stock, less Income Tax (payable on 15th December, 1960)	—	..	78,588	..	180,591		180,591
		..	1,588,694	..	503,151		453,151
	1,477,521	..	—	..	108		633,742
<b>PROVISIONS FOR:</b>							
* Renewals—		..	—	..			
Antofagasta Company's system	2,482,372	..	2,514,509	..			633,844
Leased Lines	514,992	..	514,992	..	140,255		565,177
		..	3,029,501	..	208,285		250,000
* Liability under Social Laws in South America	183,129	..	221,348	..	250,000		
		..	3,250,849	..			
	3,180,493	..	4,839,543	..			
	£20,063,837	..	£20,349,713	..	3,623,700		3,888,220
		..	—	..	£20,063,837		£20,349,713

\* See Statement (page 14) for movements in Reserves and Provisions.

## NOTES.

1. The Equipment Fund represents the amount required by the Chilean and Bolivian Governments to be set aside out of the proceeds of tariff increases specifically authorised by those Governments for the purchase of new equipment and other elements necessary for the service of the Railway, plus a further £80,000 towards additional requirements.

2. £418,230 (1958-£408,730) of the Company's 5 per cent. (Bolivia) Debenture Stock and £98,990 (1958-£98,990) 4 per cent. Perpetual Debenture Stock were held by a wholly-owned subsidiary. The 5 per cent. (Bolivia) Debenture Stock became due for repayment on the 1st July, 1960, at £110 per cent. Certain redemptions were then made and, under arrangements with a wholly-owned subsidiary, that Company now holds £1,408,950 of this stock, redeemable on the 1st May, 1985.

3. The Chilean and Bolivian Exchanges at the date of the Balance Sheet were subject to exchange control regulations. For the purpose of these Accounts the currency fixed assets have been converted into Sterling at the effective rates ruling in the year of acquisition and the currency current assets and liabilities have been converted at the rates of exchange at 31st December, 1959, of £2,944 Chilean to the £, and Bs.33,995 Bolivian to the £ (1958-£2,777 Chilean, Bs.34,092 Bolivian).

4. There are contingent liabilities not specifically provided for in the Balance Sheet in respect of (a) Social Laws in South America and (b) taxation and tariff claims in South America now being contested by the Company.

5. As from 18th February, 1959 (which date, for Accounting purposes, was subsequently considered as 1st February, 1959), the Company suspended its operation of its own lines in Bolivia and of those leased from the Bolivia Railway Company, which thereafter have been operated by the Bolivian Government Railway Department, the losses on such operations being attributed to, but refused by, the Company. Certain current assets and liabilities in Bolivia taken over by the Bolivian Government Railway Department are subject to agreement by them. No information is available regarding the adequacy of the maintenance by the Bolivian Government Railway Department of the track and other property of the Company in Bolivia and that leased from the Bolivia Railway Company; such properties are no longer under the control of the Company.

On behalf of the Board,

H. C. DRAYTON, }  
R. H. DOBSON, } Directors.

## CITY NOTES

NEW Year doubts have been reflected in quiet and uncertain stock-market conditions in the first week of 1961. Company chairmen in their views of current year prospects are now noticeably cautious; yet there are few definite factors to which they can point. 'Factors outside the company's control' is the well-worn phrase used by chairmen who admit to finding it difficult to forecast current year results with any satisfactory or reliable degree of accuracy.

New year uncertainty is based on 'feeling' rather than 'fact'. The general assumption is that 1961 will prove a difficult year economically and politically. In the latter sphere, current events in the Far East and in Africa and the possibility of disturbances in the Caribbean and in South America provide a disturbing background. In the former, balance of payments and trade problems loom ahead.

For the present, it is difficult to make out a case for stock-market confidence or buoyancy. This side of the Budget the stock-market is, of course, more likely to reflect doubts than confidence. Meanwhile, new issue calls from industry are likely to remain strong enough.

## RATES AND PRICES

Closing prices, Wednesday, January 4th, 1961

Tax Reserve Certificates: interest rate (26.11.60) 3%

## Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

## Treasury Bills

Oct. 28	£5 1s 9.52d%	Dec. 2	£4 12s 5.55d%
Nov. 4	£4 17s 9.79d%	Dec. 9	£4 9s 7.83d%
Nov. 11	£4 15s 5.46d%	Dec. 16	£4 7s 6.04d%
Nov. 18	£4 13s 5.93d%	Dec. 23	£4 7s 1.45d%
Nov. 25	£4 12s 9.25d%	Dec. 30	£4 6s 11.78d%

## Money Rates

Day to day	3-4½%	Bank Bills	
7 days	4½-4½%	2 months	4½-4½%
Fine Trade Bills		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

## Foreign Exchanges

New York	2.80 ½	Frankfurt	11.70 ½
Montreal	2.78 ½	Milan	1741 ½
Amsterdam	10.58 ½	Oslo	20.03 ½
Brussels	139.58 ½	Paris	13.75 ½
Copenhagen	19.34 ½	Zürich	12.08 ½

## Gilt-edged (revised List)

Consols 4%	65 ½xd	Funding 3% 59-69	81 ½
Consols 2½%	44xd	Savings 3% 60-70	78 ½
Conversion 5½% 1974	92 ½	Savings 3% 65-75	71 ½
Conversion 5% 1971	90 ½xd	Saving 2½% 64-67	82 ½
Conversion 3½% 1969	84 ½	Treasury 5½% 2008-12	94 ½
Conversion 3½%	58 ½	Treasury 5% 86-89	87 ½
Exchequer 5½% 1966	100 ½	Treasury 3½% 77-80	71 ½
Funding 5½% 82-84	94 ½xd	Treasury 3½% 79-81	71 ½
Funding 4% 60-90	87 ½	Treasury 2½%	43 ½
Funding 3½% 99-04	63xd	Victory 4%	94 ½
Funding 3% 66-68	81 ½	War Loan 3½%	59 ½

# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Practitioners' Fees

SIR, - I am grateful to the two readers who answered my inquiry published in your issue of December 3rd, about appropriate fees in the four stated cases.

Both replies (December 10th issue) gave £525 for the sale of assets and I only wish they had stated the basis on which the figure was calculated.

Negotiating the payment of £14,000 to the managing director saved him and the company a total of about £18,000 in taxation and yet the suggested fees (£63 and £105) are no more than a solicitor would charge to convey a house of average price. In my view the recommended fees are grossly inadequate.

I feel there is something seriously wrong in the profession when practitioners have to rely upon the correspondence columns of your journal for guidance on these vital matters. Why cannot the Institute advise us of current practice on fees for unusual work?

Yours faithfully,  
PERPLEXED.

## The Small Practitioner

SIR, - I have always been interested to read the frequent correspondence in your columns on the subject of registration of the profession and Mr R. Mitchell's letter in your issue of December 31st is no exception.

My feelings are the same as those of Mr Mitchell regarding the constitution of the Council of the Institute and I do not think the difficulties are absolutely beyond solution. However, I do not agree with the views generally expressed for or against registration, which usually appear to emanate largely from personal reasons. For over thirty years I have been in the profession and, from important happenings within it, I have formed the opinion that regardless of any particular qualification, generally accountants are loyal as members of their professional bodies but appear to have little concern for the profession as a whole. To me, perhaps wrongly, the profession is paramount. The general apathy may be because of the absence of a complete and unified profession.

As Mr Mitchell remarks, there are benefits for closed professions and all members, if taking a wide view, must agree. Of course there has to be a long transitional period before reaping the harvest and an immediate realization that there are a large number of unqualified men who are very capable professionally, and would be a credit to any body.

One fully appreciates that the problem bristles with difficulties and hard work, but if it ultimately is to benefit the profession (apart from the outside world), is it not a great and worthy job of work?

I have said that such a step would take time to materialize and, as my 'practising' life is shortening, I have little to gain and consequently can write this letter without any bias.

Yours faithfully,  
LESLIE E. SABBEN,  
Bexleyheath, Kent. *Certified Accountant.*

## Bloody, but Unbowed

SIR, - Living overseas and relying on journals dispatched by sea-mail makes it difficult to enter correspondence columns on topical matters. None the less I hope I am not too late to draw your attention to a remark by Mr Roy Jenkins in *The Spectator* of November 18th, in a footnote to a reader's letter:

'If all journalistic statements were to be supported by auditors' certificates, the main result would be a vast increase in the already swollen incomes of chartered accountants.'

The B.B.C., Mr James Coffield, and now Roy Jenkins. We are in bad odour.

Yours faithfully,  
G. H. R. JENKINS, A.C.A.  
Kuala Lumpur.

## Transfer of Shares

SIR, - The articles of a private company contain the usual clause that in the event of a member wishing to sell or transfer shares, those shares must be offered to all members.

I have a case in which the proposed transferor, with the approval of the directors, wishes to give his holding to another member.

I should be grateful if it could be confirmed that the said shares need not first be offered to all members.

Yours faithfully,  
UNCERTAIN.

## A Christmas Quotation

SIR, - May I be permitted through your correspondence column to correct your answer given to question 55 of your quiz in your Christmas issue of December 24th.

The champion jockey immediately prior to Sir Gordon Richards was E. C. Elliott in 1924. H. Wragg was one of the few jockeys who broke Sir Gordon Richards' monopoly of the title in 1941.

I take my authority from that excellent book, *Encyclopaedia of Sport*, published last year.

Yours faithfully,  
L. G. CHANDLER.  
London, W6.

# For Students

## AUDITING

### Verification of Assets

#### Question 1

Describe how, as auditor, you would verify the following assets:

- (a) Balance at bank on deposit account.
- (b) National Insurance stamps in hand (no franking machine used).
- (c) Reserve cash held for change stated to consist of £100 in copper and £500 in silver.
- (d) Postage stamps in hand, including unused balance in a postal franking machine.
- (e) Short-term deposits with local authorities.
- (f) Cash in transit.

#### Answer

The assets in question should be verified as follows:

(a) *Balance at bank on deposit account.* The deposit book or receipts should be inspected and operations upon the account checked. It should be arranged for a certificate to be sent by the bank direct to the auditor, stating the amount of the deposit at the date of the balance sheet and the interest credited during the accounting period.

(b) *National Insurance stamps in hand.* The system of stamping the workers' insurance cards should be examined. All purchases of insurance stamps should be vouched to the insurance stamps control account. The value of the stamps used should be vouched to the credit of that account from the wages book and by actual inspection of the insurance cards, seeing that they are all stamped up to date. The stamps in hand should be produced to and counted by the auditor, who should see that their value agrees with the balance of the control account. For this purpose the auditor should endeavour to attend on the last day of the accounting period. Where this is impracticable the above work should be carried out up to the date of his attendance.

(c) *Reserve cash held for change, stated to consist of £100 in copper and £500 in silver.* Such a large amount of loose coin can only be satisfactorily verified by the auditor attending at frequent intervals, and without prior notice to the client's staff, for the purpose of counting it. Where there is more than one account, they should all be checked at the same time, to prevent substitution. If practicable, the whole of the reserve cash should be paid into the bank on the last day of the accounting period and a fresh cheque drawn on the following day.

(d) *Postage stamps in hand, including unused balance in a postal franking machine.* Where a postage book is kept, the auditor should ascertain that it is regularly checked by a person in authority, and should vouch the stamps purchased with the petty cash book. If the value of the stamps in hand is material they should be counted by the auditor and seen to agree with the balance of the postage book.

The unused balance in a postal franking machine can be checked by reference to the descending register on the machine. Where this is not done on the last day of the accounting period, the meter should be read by the auditor as soon as possible thereafter, and the balance then appearing adjusted by reference to the records of subsequent purchases and usages.

(e) *Short-term deposits with local authorities.* The deposit receipts should be examined, noting the rate of interest and the dates of repayment. The receipt of interest should be vouched. The authorities in question should be asked to send confirmation of the amounts outstanding at the balance sheet date direct to the auditor.

(f) *Cash in transit.* The advice note relating to the remittance should be examined and the ultimate receipt of the amount in the new period vouched. It should be seen that the necessary adjustment is made in the accounts affected as at the date to which the accounts are made up.

#### Question 2

State how you, as auditor, would verify the following assets:

- (a) A loan on the security of a life assurance policy.
- (b) Tax reserve certificates.

#### Answer

(a) *A loan on the security of a life assurance policy.* The agreement (if any) for the loan and the receipt for the money (or paid cheque) should be seen. The life policy should be inspected, together with an acknowledgement from the insurance company of the receipt of notice of the assignment of or charge on the policy, and showing its current surrender value. The receipt for the premium last falling due on the policy should be seen.

(b) *Tax reserve certificates.* All certificates in hand should be produced to the auditor at the same time, and their purchase verified. It should be seen that they are in the name of the company. If any certificates are held by the company's bankers for safe custody, a detailed certificate to that effect should be obtained from the bank. If, since the date of the balance sheet, but before the attendance of the auditor, any certificates have been surrendered in payment of tax, the Inland Revenue receipts for the tax should be examined. The certificates still held should be verified and reconciled with the tax reserve certificates account. The certificates should appear in the balance sheet as a current asset at cost, no credit being taken for interest until they are surrendered in payment of tax.

# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

## MEETING OF THE COUNCIL

Special and ordinary meetings of the Council of The Institute of Chartered Accountants in Ireland were held in Dublin on Thursday, December 22nd, 1960.

The President, Mr G. E. Cameron, was in the chair and there were also present:

Messrs A. E. Dawson, *Vice-President*, H. E. A. Addy, John Bacon, G. A. P. Bryan, Frank Cleland, J. F. Dempsey, N. V. Hogan, G. F. Klingner, John Love, R. E. McClure, R. J. Neely, R. P. F. Olden, James Walker and D. McC. Watson, with the *Secretary* and *Assistant Secretary* and the *Joint Secretary and Treasurer* in attendance.

Apologies for absence were submitted from Messrs A. S. Boyd, M. M. Connor, James Graham and H. W. Robinson.

### Fellowship

The following Associates were elected Fellows of the Institute:

Cole, Maurice Albert (Dublin).

*With effect from January 1st, 1961*

Finegan, Columbanus Sean (Belfast).

McQuillan, Kenneth Michael (Dublin).

### Associateship in Practice

The following members were admitted to practice:

Howard, Robert Alexander (Bulawayo).

Jordan, Joseph Davison (Belfast).

Whelan, Ronald Thomas Owen (Dublin).

### Membership

An application for re-admission to Institute membership was acceded to.

### Committees

Reports were received from the following committees:

Finance and General Purposes, Examination, Education and Training, Taxation, Parliamentary and Law, Disciplinary and Policy.

### Examinations

The results of the November 1960 examinations of the Institute were reported showing that in the Intermediate examination 43 per cent of the candidates had been successful compared with 41 per cent at the previous examination, and that in the Final examination 25 per cent had passed compared with 53 per cent in May.

## RESULTS OF NOVEMBER 1960 EXAMINATIONS

### FINAL EXAMINATION

*First Place and 'Arthur H. Muir' Memorial Prize*  
O'Sullivan, Colman, B.COMM. (Dublin).

#### *Second Place*

McGuinness, Cormac Francis (Dublin).

#### *Third Place*

Bennett, Anthony Joseph, B.COMM. (Dublin).

#### *Full List of Names of Successful Candidates (in alphabetical order)*

\*Bennett, Anthony Joseph (Dublin); Bourke, Patrick Declan (Dublin); Bradley, Patrick Brendan Lloyd (St Peter, Bucks.); Campton, James Derek (Bangor, Co. Down); D'Arcy, Anthony Edward (Limerick); Dean, Neil Francis (Templeogue, Co. Dublin); Dunlop, Henry Bryan (Bangor, Co. Down); Fitch, William (Belfast); Fitzgerald, Dermot (Limerick); Griffin, Brian Eamonn Michael (Blackrock, Co. Dublin); Kilroy, Howard Edward (Tallaght, Co. Dublin); Lowe, Harold Francis (Bagenalstown, Co. Carlow); McGuigan, Patrick Joseph (Limerick); \*McGuinness, Cormac Francis (Dublin); Magowan, Denis George (Belfast); \*O'Sullivan, Colman (Dublin); Skillen, Victor Edward (Belfast); Ronaghan, John Joseph Barkey (Monaghan); Ryan, Denis Kevin Vincent (Dublin); Wong, Robert Kin Thong (Belfast).

*20 candidates passed.*

*60 candidates failed, of whom 2 were deferred for re-examination in one subject under Bye-law 106.*

\* See also place list above.

### INTERMEDIATE EXAMINATION

*First Place and the 'John Mackie' Memorial Prize*  
Lyster, William Bruce (Dublin).

#### *Second Place*

O'Donnell, Neil (Sligo).

#### *Third Place*

O'Shaughnessy, John Anthony, B.COMM. (Cork).

#### *Full List of Names of Successful Candidates (in alphabetical order)*

Ball, Robert Gerard Maurice (Dublin); Buckley, Daniel Christopher Joseph (Birmingham); Byrne, Richard Anthony (Shankill, Co. Dublin); Cassidy, James Conor Murtagh (Belfast); Coleman, Timothy Charles Joseph (Sandycove, Co. Dublin); Comerford, James (Dublin); Cooney, Nicholas Francis (Drogheda, Co. Louth); Coughlan, Liam Sean (Dublin); De Groot, Edward Joseph (Bray, Co. Wicklow); Donnelly, Michael Patrick (Dublin); Dowling, Naomain Oliver (Dublin); Doyle, Michael Christopher (Dublin); Driver, Thomas Owen (Mount Merriem, Co. Dublin); Duffy, Charles Edward (Dublin); Dunne, Seamus Conleth (Kill, Co. Kildare); Ellis, Ronald Neville (Dublin); Fagan, Seamus Finton (Dublin); Fox, Noel Louis (Dublin); Gallagher, Brian (Dublin); Gibson, Hugh John (Belfast); Graves, Richard Charles (Dublin); Greany, Anthony John (Dublin); Grehan, Donal Patrick (Dublin); Hargaden, Michael Francis (Dublin); Hendron, Michael Patrick Joseph (Dublin); Higgins, William Derek (Dublin); Hoey, Michael Joseph (Dublin); Johnston, George Mervyn (Belfast); Kennedy, John (Belfast); \*Lyster, William Bruce

(Dublin); McCagherty, Albert Brian (Newtownabbey, Co. Antrim); McClung, Robert (Belfast); McCowen, Michael Patrick (Dublin); McCoy, James David (Belfast); MacGuigan, John Michael Vincent (Dublin); McManus, Brendan (Dublin); McSweeney, James Walter (Dublin); Mahon, Henry (Dublin); Manning, Victor Duncan (Londonderry); Meagher, John Henry (Cork); Mercer, George Stoddart (Belfast); O'Brien, Mary (Wexford); O'Brien, Oliver Murrough Lee (Dublin); O'Broin, Kieran Mary Patrick (Dublin); O'Connor, Laurence Gerard (Dublin); \*O'Donnell, Neil (Sligo); O'Neill, Fergus Sean Michael (Dublin); O'Reilly, Myles Kevin (Mount Merrion, Co. Dublin); \*O'Shaughnessy, John Anthony (Cork); Pedlow, Thomas Kenneth (Lurgan, Co. Armagh); Power, Oliver William Maurice Otho (Tramore, Co. Waterford);

Scott, Richard Anthony Greig (Sandycove, Co. Dublin); Tipping, Desmond Christopher (Lurgan, Co. Armagh); Tuffy, Martin John (London); Wadsworth, John Lucas (Belfast).

55 candidates passed.

74 candidates failed.

\* See also place list above.

### SUMMARY OF RESULTS

	Final	Inter- mediate	Total
Candidates successful	20	55	75
Candidates failed ..	60	74	134
Candidates sat ..	80	129	209

## Notes and Notices

### THE ACCOUNTANT

#### Index to Vol. CXLIII: July-December 1960

The general index to Vol. CXLIII - July to December 1960 - is published with the present issue. The parts of this volume, with the index, can now be sent for binding.

### PROFESSIONAL NOTICES

MESSRS ANNAN, IMPEY, MORRISH & Co, Chartered Accountants, announce that as from January 1st, 1961, they are associated with Messrs HARMOOD BANNER, LEWIS & MOUNSEY of Liverpool, London, Manchester, Chester and Wrexham; Mr H. T. NICHOLSON, F.C.A., and Mr J. M. HARRISON, F.C.A., have been admitted into partnership; and a branch office has been opened at 24 North John Street, Liverpool, 2.

MESSRS BARTON, MAYHEW & Co, announce that Mr WILLIAM F. KISSACK, F.C.A., has been admitted to partnership in the firm's practice in Las Palmas, Canary Islands.

MESSRS ERIC S. BROWNE & Co, Chartered Accountants, of Central Buildings, 41 North John Street, Liverpool 2, announce that they have taken into partnership Mr GERALD E. AVISON, A.C.A., who since serving his articles with them has been a member of their staff. The style of the firm will remain unchanged.

MESSRS CASSETON ELLIOTT & Co, Chartered Accountants, of 4 and 6 Throgmorton Avenue, London, EC2, announce that as from January 1st, 1961, they are associated with Messrs CREW, TURNBULL & Co, Chartered Accountants, of 4 Dove Court, Old Jewry, London, EC2, and of Luton. The practices will be carried on from the present addresses. Messrs CASSETON ELLIOTT & Co also announce that as from January 1st, 1961, Mr B. B. SMITH, A.C.A., and Mr P. J. MELLOWS, A.C.A., who have been members of their staff for some years, have been admitted to partnership in their London firm and that Mr C. COLLETT, M.A., A.C.A., has been admitted to partnership in their Ghana firm.

MESSRS COOPER & LINES and COOPERS & LYBRAND announce that as at January 1st, 1961, they have formed the Bermudian firm of COOPERS & LYBRAND with an office at International Centre, Hamilton, Bermuda.

MESSRS CHANTREY, BUTTON & Co, Chartered Accountants, of Africa House, Kingsway, London, WC2, announce that Mr COLIN C. HUBBARD, A.C.A., who has been a member of the staff for many years, has been admitted into the partnership as from January 1st, 1961.

MESSRS CHICK, DAVIES & MATHIAS announce that their partnership has been dissolved with effect from December 31st, 1960. The practice at Cardiff and Pontypridd will be continued by Mr R. J. MATHIAS, A.C.A. Mr G. L. CHICK, F.C.A., and Mr K. H. DAVIES, A.C.A., are retiring in order to continue their outside commercial activities and for the time being are being retained by the continuing partner in a consultative capacity.

MESSRS CROYDON & KING, Chartered Accountants, announce that Mr L. J. R. KING, F.C.A., their senior partner and one of the founders of the firm in 1909, retired from the firm on October 1st. Mr KING is available in a consultative capacity, and the practice is being continued by the remaining partners, Mr L. W. GIBBS, F.C.A., and Mr J. D. KING, F.C.A. They also announce that as from December 31st the address of the firm is 137 Victoria Street, London, SW1.

MESSRS DELOITTE, PLENDER, GRIFFITHS & Co, announce that they have admitted to their Milan partnership Mr T. J. GLANVILLE, D.S.C., A.C.A., as from January 1st, 1961. Mr GLANVILLE has been manager of the Milan office for some years.

MESSRS FINCHAM, VALLANCE & Co, Chartered Accountants, of 3 & 4 Clement's Inn, Strand, London, WC2, announce that as from January 1st, 1961, Mr PETER GORDON ROBERTS, A.C.A., who has been associated with the firm for a number of years, has been admitted to partnership. The style of the firm and the address will remain unchanged.

MESSRS FULLER, WISE, FISHER & Co, Chartered Accountants, of 55-61 Moorgate, London, EC2, announce that as from January 1st, 1961, The Hon. W. G. M. SPENS, M.B.E., B.A., A.C.A., and Mr B. C. BERKINSHAW-SMITH, B.A., A.C.A., have been taken into partnership.

MESSRS J. GEOFFREY HANWELL & Co, Chartered Accountants, announce that they have removed their offices to Parliament House, 85 Beverley Road, Kingston upon Hull. The telephone number is unchanged.

MESSRS ALBERT GOODMAN & Co, Chartered Accountants, of 54 Old Broad Street, London, EC2, and Taunton, announce that Mr VICTOR HENRY CLEMENTS and Mr LESLIE STUART WHITE, both senior members of their staff, have been admitted to partnership from January 1st, 1961. The new partners will practise from the London office and the firm's name remains unchanged.

MESSRS J. H. HUGILL & Co, Chartered Accountants, of Chansitor House, 38 Chancery Lane, London, WC2, announce that Mr E. E. NEWBALD, M.C., F.C.A., will retire from the partnership on January 31st, 1961, to take up a full-time directorship in industry, and that Mr R. J. MORRIS, A.C.A., A.A.C.C.A., and Mr J. W. BAYLISS, A.C.A., both of whom have been associated with the firm for some years, will be admitted into partnership on that date and the name of the firm will remain unchanged.

MESSRS DAVID J. JONES & Co, Chartered Accountants, of 12 St Ann's Square, Manchester, 2, announce that Mr M. E. SHORT, F.C.A., was taken into partnership on January 1st, 1961.

MESSRS KERR, MACLEOD & MACFARLAN, Chartered Accountants, of 149 West George Street, Glasgow, C2, announce that Mr DAVID BRUCE, C.A., who served his apprenticeship with the firm and has acted as their office manager for a number of years, has been assumed as a partner as from January 1st, 1961.

MESSRS R. G. KIRKPATRICK & Co, Chartered Accountants, announce that Mr D. G. WILLIAMS, A.C.A., has retired from the partnership. Mr A. CAMERON WHITE, C.A., has been admitted to partnership and the firm name remains unchanged. Mr D. G. WILLIAMS, A.C.A., is now practising under the style of D. G. WILLIAMS & Co, at 64 Aldermanbury, London, EC2.

MESSRS LANGTON & MACCONNAL, Chartered Accountants, of 7 Rumford Street, Liverpool, 2, announce that Mr N. A. RILEY, A.C.A., has been admitted to partnership as from January 1st, 1961.

MESSRS LAYTON-BENNETT, BILLINGHAM & Co, Chartered Accountants, of 23 Blomfield Street, London, EC2, announce with deep regret the death on December 27th, 1960, after a long illness, of their senior partner, Mr JOHN C. BILLINGHAM, F.C.A.

MESSRS R. F. MILLER & Co, Chartered Accountants, of Barrow-in-Furness and Ulverston, announce that their senior partner, Major H. MOSSOP, F.C.A., retired at December 31st, 1960, after sixty-three years with the firm. The practice will be continued by the remaining partners.

MESSRS HENRY NOON & Co, Singapore, have pleasure in announcing that Mr G. C. T. REPTON, A.A.C.C.A., A.C.I.S., has been admitted as a partner with

effect from January 1st, 1961. They also announce that Mr R. D. STEWART, F.C.A., will be retiring early in 1961 and will be succeeded as senior partner by Mr F. W. WESTWORTH, F.C.A. The practice will continue to be carried on under the same style and from the same address as formerly.

MESSRS E. J. RICHES & SON, Chartered Accountants, of 4/8 Cathedral Street, Norwich, announce that Mr GEORGE J. R. ISBELL, A.C.A., who served his articles with the firm, has been admitted to the partnership, the title of which remains unchanged.

MR SIDNEY SHARPE, F.C.A., announces that as from January 1st, 1961, he has taken into partnership his sons, Mr DONALD FRANCIS SHARPE, A.C.A., and Mr CYRIL VERNON SHARPE, A.C.A. They are in practice at 49 Bedford Row, London, WC1, as SHARPE FAIRBROTHER & Co.

MESSRS GILBERT SHEPHERD, OWEN & Co, Chartered Accountants, of 22 St Andrew's Crescent, Cardiff, announce that they have taken into partnership Mr MICHAEL E. MILLER, A.C.A., who has served on their staff as managing clerk for the past two years. The style of the firm remains unchanged.

MESSRS SIDFORD & KEEN, Chartered Accountants, of 4 Broad Street Place, London, EC2, announce that Mr ROY KEITH PHILLIPS, A.C.A., who has been with the firm since 1947, has been admitted a partner as from January 1st, 1961. The firm's name remains unchanged.

MESSRS THOMSON, KINGDON & Co, Chartered Accountants, of Saxone House, 74a Regent Street, London, W1, announce that with effect from January 1st, 1961, they have amalgamated their practice with that of THORNTON BAKER & Co, Chartered Accountants of 9-12 Basinghall Street, London, EC2 and have transferred their offices to that address.

MESSRS TINGLE, COMBER & Co, Chartered Accountants, of Chansitor House, 38 Chancery Lane, London, WC2, announce that Mr E. E. NEWBALD, M.C., F.C.A., will retire from the partnership on January 31st, 1961, to take up a full-time directorship in industry, and that Mr R. J. MORRIS, A.C.A., A.A.C.C.A., and Mr J. W. BAYLISS, A.C.A., both of whom have been associated with the firm for some years, will be admitted into partnership on that date and the name of the firm will remain unchanged.

MESSRS TURQUAND, YOUNGS & Co (Far Eastern firms), have pleasure in announcing that Mr R. S. BUCKLEY, A.C.A. (AUST.), has been admitted as a partner with effect from January 1st, 1961. They also announce that Mr R. D. STEWART, F.C.A., will be retiring early in 1961 and will be succeeded as senior partner by Mr F. W. WESTWORTH, F.C.A. The practice will continue to be carried on under the same style and from the same address as formerly.

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### REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

MESSRS WILSON, DE ZOUCHE & MACKENZIE and Messrs WILSON DE ZOUCHE & WALKER SCLANDERS, Chartered Accountants, of Liverpool and London, announce that their practices will be continued as before but under the one name of WILSON, DE ZOUCHE & MACKENZIE.

### Appointments

Mr H. P. N. Benson, M.C., F.C.A., has been appointed a managing director of A.P.V. Co Ltd.

Mr R. H. C. Boys, F.C.A., has been appointed a director of Metal Traders Ltd.

Mr C. M. Carr, F.C.A., has been appointed sole managing director of Cooper, McDougall & Robertson Ltd.

Mr W. Campbell Allan, F.C.A., has relinquished the office of chairman of Northern Counties Permanent Building Society on the grounds of ill health and is succeeded by Col. R. Mould-Graham, O.B.E., M.C., T.D., D.L., F.C.A., J.P.

Mr A. S. H. Dicker, F.C.A., has been reappointed by the Minister of Power as a part-time member of the Eastern Gas Board for a further period of years under the provisions of the Gas Act, 1948.

Mr W. M. Fenton, F.C.A., has been appointed an executive director of Guthrie Estates Agency Ltd.

Mr J. Ferguson Smith, F.C.A., has been appointed deputy general manager of Vickers-Armstrongs (Aircraft) Ltd.

Mr Adrian C. Furse-Roberts, F.C.A., treasurer and secretary of the Du Pont Co (United Kingdom) Ltd, has been appointed a director of the company.

Mr P. McC. Hadfield, F.C.A., secretary of Hadfields (Merton) Ltd, has been appointed joint managing director of the company.

Mr H. G. Kennedy, F.C.A., A.C.W.A., has been appointed a director of Beyer Peacock & Co Ltd.

Mr Harold L. Rudge, F.C.A., has been appointed deputy secretary of the Birmingham Stock Exchange.

Mr N. G. Lancaster, M.B.E., F.C.A., has been appointed chairman of Tomkinsons (Holdings) Ltd.

Mr C. C. Miller, B.COM., F.C.A., has been appointed deputy chairman of Earle, Bourne & Co Ltd, a subsidiary of the Delta Metal Co Ltd.

Sir Julian Pode, F.C.A., managing director of the Steel Company of Wales, is to be appointed by the Council of the British Iron and Steel Federation as president-elect of the Federation for 1961.

Mr G. G. Potier, D.F.C., F.C.A., has been appointed deputy chairman of Consolidated Gold Fields of South Africa Ltd.

Mr R. E. Woodward, F.C.A., secretary of Wolseley-Hughes Ltd, has been appointed a director of the company.

Mr P. J. Custis, A.C.A., F.C.W.A., chief accountant of the Wednesbury Tube Co Ltd, has been appointed a director of the company.

Mr C. F. Sedcole, A.C.A., has been appointed a director of Birds Eye Foods Ltd, as from January 1st, 1961.

Mr Ernest W. Wyatt, A.C.A., has been appointed a director of Howards & Sons Ltd.

Mr G. E. Yallup, A.C.A., has been appointed a director of Pretty Polly (Holdings) Ltd.

Mr W. I. French, D.S.O., O.B.E.(MIL.), T.D., C.A., has been appointed chairman of Sir William Arrol & Co Ltd.

Mr R. A. Rice, A.A.C.C.A., and Mr W. I. Mercer, A.A.C.C.A., have been appointed deputy chief accountant and assistant accountant, respectively, of Cable and Wireless Ltd, (Head Office), from January 1st, 1961.

Mr Edward Jones, F.I.M.T.A., has been appointed Borough Treasurer of Ramsgate, as from February 1961.

### APPOINTMENTS TO MALTA DOCKYARD BOARD

Sir Richard Yeabsley, C.B.E., F.C.A., and Mr Lawrence Robson, F.C.A., F.C.W.A., have been appointed to the board of Bailey (Malta) Ltd, the company formed to take over the Admiralty shipbuilding and repairing yards in Malta. This was announced in the House of Commons shortly before Parliament rose for the Christmas recess. The Colonial Secretary said the appointments were welcomed by the Government who hoped that progress could now be made with the settlement of outstanding questions and with the development plan for the dockyard.

### OBITUARY

#### Edward King Hill, F.C.A.

It is with regret that we record the death of Mr Edward King Hill, F.C.A., at the age of 58.

Mr Hill was admitted to membership of The Society of Incorporated Accountants in 1925 and was elected to fellowship in 1946 and became a fellow of The Institute of Chartered Accountants in England and Wales in 1959. He was founder and principal of the firm of Edward K. Hill & Co, Chartered Accountants, of Birmingham, and had been in practice for over thirty years.

Mr Hill took a keen interest in the activities of the National Federation of Building and Roofing Contractors and was secretary of the Midland Regional Association since its formation in 1944.

### • LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The next meeting of the London and District Society of Chartered Accountants will be held in the Oak Hall of the Institute on Wednesday, January 18th, at 6 p.m., when Mr W. Quincey, J.P., a director of C.W.S. Ltd, will speak on 'Co-operative societies, with particular reference to how they are financed'.

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**SCOTTISH CHARTERED ACCOUNTANTS  
IN LONDON**

A discussion group meeting for London members of The Institute of Chartered Accountants of Scotland will be held on January 16th, in the Oak Hall of the English Institute, Moorgate Place, EC2, commencing at 6 p.m. The subject for discussion will be 'True and fair - problems of stock valuation', by Mr W. R. S. Ritchie, C.A., based on part of his address to the Scottish Institute's Summer School held at St Andrews last September.

**CITY DISCUSSION GROUP**

The next meeting of the City Discussion Group of Chartered Accountants will be held on Wednesday next at *The Tiger Tavern*, 1 Tower Hill, London, EC3, at 6 p.m. for 6.30 p.m. The subject for discussion will be 'Stock control at the Royal Mint'. The speaker, Mr G. F. Howell, head of the accounts department at the Mint, will talk on this and related matters.

**CERTIFIED ACCOUNTANTS' LUNCHEON  
MEETING**

The next luncheon meeting of The Association of Certified and Corporate Accountants will take place on Tuesday, January 17th, at the Connaught Rooms, Great Queen Street, WC2, at 12.30 for 1 p.m. The guest speaker will be Mr Gillie Potter who will talk about 'The Hogs Nortonian system of accountancy'.

**THE CHARTERED ACCOUNTANT  
STUDENTS' SOCIETY OF LONDON**

The following meetings of the London Students' Society will be held next week:

*Monday, 6 p.m.* at The Institute; General meeting of the Golf club.

*Wednesday*, Rugby football v. Cardiff Students' Society.

*Friday, 8 p.m.*, at the Coronet Club: Informal dance.

*Saturday, 10 a.m.*, at Luton: Lectures on 'Law of contracts' and 'Law of agency', by Mr R. D. Penfold, Barrister-at-law.

Students are reminded that the Library and Study room at Spenser House, South Place, EC2, are open on Mondays to Fridays from 9.30 a.m. to 5.30 p.m. The Study room is available in the evening by prior arrangement.

The London Students' Society diary for 1961 may be bought at the library (price 3s 6d by post 4s).

**DOUBLE TAXATION: IRAN**

The arrangements between the United Kingdom and Iran for the avoidance of double taxation of air transport profits were published on January 2nd, as a schedule to an Order in Council numbered S.I. 1960, No. 2419.

**SEVENTY-FIVE YEARS AGO**

FROM *The Accountant* OF JANUARY 9th, 1886  
*A Weekly Note*

THE Bristol West of England and South Wales Permanent Building Society announces as one of its 'features' that 'its accounts are annually audited by a chartered accountant' - a statement which may be regarded as a significant sign of the times. The absence of such a feature in building societies in the past has contributed to the mismanagement of a great many, and the guarantee which a proper audit affords will probably be found to have great weight with investors in these institutions in future, who have been taught by experience that the payment of a professional accountant's fee is money well spent.

**CHARTERED INSTITUTE OF SECRETARIES**

Mr Stuart M. Rix, F.C.A., F.C.I.S., has been elected President of the Chartered Institute of Secretaries for 1961. Mr Rix, who is deputy chairman of the Southern Electricity Board, was admitted a member of the Institute in 1933 and has served on the Council since 1947. In 1920, he was admitted a member of the former Society of Incorporated Accountants and in 1958, following integration, became a member of The Institute of Chartered Accountants in England and Wales.

Sir Denys Lowson, Bt., M.A., F.C.I.S., and Mr Kennedy Cassels, M.A., F.C.I.S., have been elected Vice-Presidents of the Institute.

**THE INSTITUTE OF INTERNAL AUDITORS****Manchester Chapter**

The Manchester Chapter of The Institute of Internal Auditors is holding its January meeting on Tuesday next at 7 p.m. in the Chartered Accountants Hall, 46 Fountain Street, Manchester, 2, when Mr R. B. Hyde, F.C.A., audit officer for the North Western Division of British Road Services Ltd, will address the Chapter on 'Internal audit in practice - the scope of my job'. The chair will be taken by Mr A. D. Compston, President of the Chapter and chief internal auditor of the North Western Electricity Board.

Further information regarding the activities of the Chapter may be obtained from the secretary of the Chapter, Mr R. S. Rossiter, divisional internal auditor, Shell-Mex & B.P. Ltd, Shell-B.P. House, 7 Oxford Road, Manchester, 1.

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## Advice to The Chancellor

EARLY in each new year a feature of the professional scene is the plethora of memoranda which seeks to offer guidance to THE CHANCELLOR OF THE EXCHEQUER in his task of framing the national Budget. Among the first - if not the first - of the pre-Budget representations to appear this year were those of the Institute of Taxation.

One of the greatest and most rewarding reforms in the operation of our taxing system would, in the view of this Institute, be to bring the time basis for assessment to income tax into conformity with the Government or Inland Revenue year. On this general principle the Institute quotes its representations to the Committee on the Taxation of Trading Profits to the effect that the advantages of assessment on the actual year as distinct from the preceding year basis outweigh the difficulties of transition or national budgeting and collection of revenue. The Institute regards the possible change of basis as a principle to be borne in mind as a final objective for all classes of assessment, but suggests that in the meantime it would be a step in the right direction to adopt the actual year basis of assessment under Schedule D, Case IV (tax in respect of income arising from securities out of the United Kingdom, except such income as is charged under Schedule C) and Case V (tax in respect of income arising from possessions out of the United Kingdom).

The serious anomaly in connection with double taxation relief which arises from the preceding year basis of assessment for these two cases is illustrated by *Imperial Chemical Industries Ltd v. Caro* (38 ATC 340). While there is clearly much to be said for the Institute's recommendations in this respect, it seems that the professional man, whose income towards the end of his professional career is likely to be very substantially greater than in his early years in practice, and who is assessed to tax under Case II of Schedule D, would not benefit from the proposed change, with its consequent abolition of the provisions for commencement and discontinuance of profession in Sections 129 and 130 of the Income Tax Act, 1952; indeed, he might find himself paying considerably more tax.

The Institute makes a good case for the extension to commercial buildings of the capital allowances which at present apply only to industrial buildings or structures. The existing line of demarcation is, indeed, logically indefensible.

The plea for the repeal of Schedules A and B is not new and has lost none of its force with the passage of time. Leaving out of account revenue considerations - and it seems that these alone

have prevented the repeal of these schedules long since – there is nothing to be said in favour of a tax on owner-occupiers except possibly this: that the existence of Schedule A induces many owner-occupiers to spend more on maintenance than they otherwise might – but this can scarcely be considered a valid reason for the imposition of tax on hypothetical income which does not in fact exist. Where there is in fact income – from property which is rented, or woodlands which are commercially exploited – the obvious course is, as the Institute suggests, to assess tax under Schedule D. The Institute points out that an enormous amount of time and expense is involved in the Inland Revenue offices – as well as by and on behalf of the taxpayer – in dealing with Schedule A assessments, excess rents computations under Case VI of Schedule D, and all the many property claims which must or should at present be made, so that some appreciable number of Inland Revenue staff could be released for more important work if not engaged upon Schedule A matters, while a great deal of unproductive expenditure of time for taxpayers would also be avoided.

The Institute points out that it has on previous occasions drawn attention to the very unsatisfactory nature and principles of the charge to surtax on the undistributed income of certain companies, as provided in Chapter III of Part IX of the Income Tax Act. The provisions in question apply to any company which is a company under the control of not more than five persons (within the meaning of Section 256 of the Act) and which is not a subsidiary company or a company in which the public are substantially interested. In the case of such a company, the Special Commissioners are empowered to charge surtax upon its undistributed income, the tax depending upon what is a 'reasonable' dividend or distribution of the company concerned. This, the Institute points out, is entirely a matter of personal opinion; and the Institute expresses the view (which is unlikely to meet with disagreement) that the tax, without any kind of measure or yardstick to be applied to it, is alien to our taxation structure, and runs completely counter to the well-known canon of certainty in taxation. After drawing attention to the element of duress which exists in the present system, the Institute urges that the immediate step should be taken of rationalizing the existing

law by adopting the recommendation of the Royal Commission to the effect that what is considered by the Special Commissioners to be a reasonable distribution should be stated by them, subject to the existing appeal rights, and if directions are confirmed upon appeal, the amount charged should be only that reasonable sum, and not the full amount of the profits as under the existing law: the duress now latent in the system would thus be removed. The Institute further recommends that at the earliest possible date the present legislation should be repealed and replaced by a direct and certain form of surtax on the companies in question. The Institute suggests that the type of tax, or the formula, should be devised by the Treasury, but, as there are many alternatives or main principles, offers to co-operate in working out any such possibilities.

The Institute repeats its recommendation to the Royal Commission in 1951 that the surtax exemption limit should be raised from £2,000 to £3,000, pointing out that taxation bears with special severity on the income group of £2,000 to £3,000 per annum, which includes a considerable number of the executive and professional classes, who are of great importance to the economic life of the nation. In this connection it is interesting to recall the swingeing criticism made by MRS BETTY KNIGHTLY at the annual dinner of the Women Chartered Accountants' Dining Society last month of the unfair discrimination against the joint income of husband and wife.

It not infrequently happens that there are considerable changes in the value of assets in an estate between death and the obtaining of the grant of probate. This may have serious results upon the net estate after payment of estate duty, and the Institute takes the view that it would be just and equitable for a statutory right to be given to the valuation of each of the assets of the deceased either at the date of death or that of obtaining probate, whichever figure is the lower, and provided that probate is obtained within three months, except for reasons beyond the personal representatives' control.

The Institute states that the list of concessions set out in the annual report of the Commissioners of Inland Revenue is incomplete. This is obviously undesirable, and it is proper, as the Institute recommends, that all concessions should be included in the published list.

# Professional Indemnity Policies

CONTRIBUTED

**N**O firm of accountants, however small, should try to prune the annual overheads by dispensing with a professional indemnity insurance policy. With the public becoming more claims conscious every year, the comparatively modest outlay in the way of premium provides very good protection for any possible errors in the future. No doubt the majority of firms do have such an insurance, but to obtain the best benefit these policies are worth studying in some detail in case any alterations are needed to a contract which has been running for a number of years.

## Extent of Cover

Briefly, the aim of the policy is to indemnify the firm against all claims for breach of professional duty as accountants, whether this is due to any negligent act, error, or omission. An important extension is that the policy also covers the firm's predecessors in business, and the fact that the individual who was the cause of the claim is no longer in the firm's employ does not matter.

The point to remember is that whereas it may be immaterial when the actual alleged breach of duty took place, the claim against the firm must be made during the period of insurance. Provided that nobody is aware of the possibility of a claim resulting from some past action, the insurers are, as it were, willing to take a chance so as to provide a complete indemnity.

The insurers will, however, require a proposal form to be completed and, apart from asking for particulars about the partners, the form will require details about any past claims to be given and whether any are pending. This form (like all insurance proposal forms) becomes the basis of the contract. It is, therefore, important that the insurers should be advised of any subsequent important staff changes within the firm. In any case full details will be required annually, for it is on this information that the premium for the ensuing twelve months will be calculated.

These policies normally provide cover only for the firm in its capacity as accountants. There may, however, be occasion, if one or more of the partners hold official appointments, when it would be prudent to extend the cover to individuals in such capacities. In such cases a request should be made to the insurers, giving them full details of the

appointments and the type of work which is involved.

Under-insurance can be just as much a pitfall with one of these policies as with any other type of insurance indemnity. A figure which may have been adequate as an overall figure ten years ago is likely to need revising to meet today's changed conditions. The only consolation is that the increase in premium certainly will not be in strict proportion to the additional indemnity provided. The reason, quite simply, is that although there must always be the possibility of a heavy claim on the policy, one of more modest proportions (should there be one at all) is more likely.

## Claim Limitations

Although costs and expenses which are incurred in the defence or settlement of any claim will be paid in addition to the limit stated in the policy, subject to the written consent of the insurers, should the actual claim exceed that limit only a similar proportion of the costs and expenses will be paid under the policy. A clause contained in most policies states that no claim will be paid which is covered by another policy. As any other policy is likely to be subject to the same condition, in practice the two policies would each contribute. Certainly the firm would not be able to claim in full on one to the exclusion of the other.

Incidentally, the possession of a policy places certain responsibilities and obligations on a firm. In the first place, no admission of liability must be given, nor may any claim be settled, without the prior written consent of the insurers. What is more, the insurers reserve the right to take over and conduct in the name of the firm the defence or settlement of any claim. There is, however, a proviso that the firm need not enter into such legal proceedings unless this course is recommended by a Queen's Counsel jointly chosen by the firm and the insurers.

## Exclusions

Most policies in their standard wording exclude claims for libel or slander, or which have been brought about or contributed to by the dishonest, fraudulent, criminal, or malicious act or omission of the firm, their predecessors, or any member of the staff. In certain cases it is possible to have some of these risks included in the policy.

Naturally, an additional premium will be required but it seems sensible, if one is going to have a policy at all, to have as wide protection as will be granted by the insurers. It might well be worth inquiring, when a policy falls due for renewal, exactly what can be covered and what the additional premium would be.

Depending on the activities of the firm, as revealed in the proposal form, other exclusions such as liability arising from debt collection or status reports may be imposed. One other exclusion which should be mentioned (though one hopes that it is seldom brought into play) is that if any claim on a policy is made which is known to be false or fraudulent in any way, the policy becomes void. This applies equally to any misrepresentation which may have been made on purpose in the original proposal form. This is the only protection with which insurers can provide

themselves against the dishonest characters of this world. One would assume, of course, that protection of this nature is less necessary in the case of accountants' indemnity policies than other classes of business.

The final point to bear in mind is the question of cost. There are few set rates in this type of business and usually premiums are based on the individual views of underwriters. That is why it is often a good course to seek the advice of a competent firm of brokers. Incidentally, the practice of granting a no-claim bonus when a claim-free policy is renewed is fast dying out. This is sensible from the insurers' point of view. Such bonuses are usually too small to deter a firm from making a claim when the occasion arises, and there are already very much better incentives for a firm to try to avoid any acts or omissions which could lead to a claim.

## Indian Taxation

### BUSINESS CONNECTION ASSESSMENT

by J. D. PETERKIN, M.B.E., M.A., LL.B.

Taxation Executive, Federation of British Industries

**T**HIS article concerns Indian taxation on the income arising from the sale of British goods to Indian importers: a problem which has only lately come to the fore and which, it would seem, is destined to raise substantial feelings of frustration in the hearts of many British exporters. It involves consideration of a particular section of the Indian Income Tax Act, the like of which is happily to be found in few other fiscal systems and will repay careful study particularly as the British Revenue, generally speaking, will not allow any unilateral double tax relief in respect of such Indian taxation.

Shortly put, Section 42 of the Indian Income Tax Act lays down that a non-resident is liable to Indian tax on that part of his profit from a transaction or transactions which arises from or through a business connection in India and which can be reasonably attributed to that part of the transaction carried out in India. In other words, even though payment for the goods is made outside India, it may be assessed for Indian tax.

#### A Vague Concept

Decided cases on the meaning of 'business connection' are little more than illustrative. The Indian Courts have attempted to lay down few limitations on its meaning. They have held, how-

ever, that where a non-resident firm has an agent in India, a business connection will be readily inferred. And contrariwise that where goods of a non-resident firm find their way into the Indian market, being sold direct to one or a few selected merchants or through brokers in India, a business connection is not necessarily established. Instances of a business connection can be listed thus:

- (a) the maintenance in India of a branch office for the purchase or sale of goods or for transacting other business;
- (b) the erection in India of a factory, where the raw produce purchased locally is worked up into a form suitable for export abroad;
- (c) the appointment of an agent (who may not be the sole agent) in India for the systematic and regular purchase of raw materials or other commodities, or for the sale of the non-resident's goods, or for other business purposes;
- (d) the formation of an Indian subsidiary to sell the products of the non-resident company;
- (e) close financial association between a resident and a non-resident company;
- (f) the grant of a continuing licence to a resident to exploit for profit an asset belonging to a non-resident, although the transaction may be disguised as an out-and-out sale.

All, therefore, that has emerged by the way of principle is that there must be a connection with

a business in India, a connection which involves some continuity of relationship between the person in India whose work makes in part the profits and the non-resident who receives them.

### Revenue Practice

That being the position in law, some effort has been made by the Indian Revenue to clarify the position; an effort, however, which does not seem to have resulted in conspicuous success. A Revenue circular of July 17th, 1953, lays down that where the transactions of sale and purchase are as between principal and principal, the resultant profit to the exporter should attract no Indian tax. Yardsticks for assessing the relationship of principal to principal are set out. For example, the prices charged to Indian importers should be the prices normally charged to other customers; the non-resident should exercise no control over the business of the resident and payment to the British exporter should be made on the delivery of documents and should not be in any way dependent on the sales to be effected by the British exporter in India. In 1959, the Indian Ministry of Finance published a booklet called *An Outline of Direct Taxes in India* which did not carry any further attempts to delimit the operation of this concept because, as the Ministry itself admitted –

‘the expression “business connection” has not been specifically defined in the law and is also not conducive to any precise legal connotation’.

The position, therefore, is that the concept is wide enough to fit almost any combination of trading circumstances other than a sale negotiated on a catalogue’s advertisement and with payment made in London. It may well be asked how often this latter type of sale occurs. The circumstances in the Indian case of *Evans Medical Supplies Ltd v. Commissioners of Income Tax* in 1959 also reinforces the point. Evans were assessed for Indian tax, not only on their profits from shipping goods direct to Indian customers and to customers through an Indian subsidiary, but also on the profits accruing from sales direct to the subsidiary on its own account. The issue involved the latter and boiled down to whether these profits arose from or through a business connection in India. It was common ground that such sales direct to the subsidiary on its own account were completed outside India. Evans argued that they were made as between principal and principal. The Indian Revenue replied – with success – that there was a business connection in regard to all of Evans’ dealings con-

cerning the sale of its products in India, for under the agreement between Evans and the subsidiary, the latter got commission on all sales to India however made. In the event, therefore, the High Court held that although the goods had been sold overseas, profits must be deemed to accrue from or through the business connection and ordered remission of the case for determination of what profit could reasonably be attributed to the operations of the subsidiary in India.

### Assessable Profits

So much for the precedent condition of assessment. The main source of irritation to British exporters lies, however, in the reported practice of the Indian Revenue in determining what part of the profits accruing from or through a business connection in India is taxable.

The wording of Section 42 (3) is as follows:

- (3) In the case of a business of which all the operations are not carried out in India, the profits and gains of the business deemed under this section to accrue or arise in India shall be only such profits and gains as are reasonably attributable to that part of the operations carried out in India.

The observant reader will of course pounce on the words ‘reasonably attributable’ as being the core of the subsection and he will find little assistance in the decisions of the Indian Courts. He will really have to turn to the practice of the Indian Revenue and that in turn will no doubt strike him as being quite arbitrary, particularly where the British exporter has kept no separate accounts in respect of his Indian trade.

From reported cases it would seem that the Income Tax Officer requires the non-resident to supply accounts showing the Indian turnover and the world turnover. The proportion there revealed is then applied to the total profits and the resultant figure is deemed to be the total Indian profit. Of that, 50 per cent is deemed to be manufacturing profit arising in the United Kingdom and non-taxable. The remaining 50 per cent is deemed to be merchanting profit and of that a percentage is selected by the Income Tax Officer as being reasonably attributable to operations in India. The size of the percentage seems to vary with the volume of operations in India and in some cases, the technical skill of the officer.

It is stating the obvious to say that assessments made in this manner can not only appal the United Kingdom exporter but instil in him an acute sense of frustration. It has not been the practice of most British companies to keep separate accounts of their export trade to India and

these assessments may be raised now in 1961 in respect of profits accruing as long ago as 1952. Without separate accounts, these companies undoubtedly must find themselves without much ammunition for reply.

Then again, even the most skilled cost accountant would find difficulty in apportioning manufacturing and merchandising profit, still more the latter in respect of Indian operations. The trouble, of course, does not end there. It is no exaggeration to say that frequently the Income Tax Officer has little experience in business connection assessment and that consequently his queries often produce, at substantial cost and with considerable inconvenience, information which eventually turns out to be irrelevant. And, in addition, the Indian Tax Officers appear to work very leisurely; so much so that disputed assessments may be some two or three or even more years old before they are settled without reference to the Courts. In short, business connection assessment from almost every angle is one type of overseas assessment which should be avoided if at all possible. It can be done but expert professional advice is a *sine qua non*.

### Close Connection

One further complication should be noted. Under subsection 2 of Section 42, if the Income Tax Officer should form the view that because of the close connection between the importer and exporter (as for example a United Kingdom parent company and an Indian subsidiary) the course of business between them is so arranged as to result in a hidden retention of profit by the exporter, he may charge an addition to the profit assessable from or through the business connection. Price loading is an obvious example of the practice aimed at by the subsection. The addition to the assessable profit is computed either as a percentage of turnover or as a proportion of total profits in the ratio of receipts in India to global receipts. The Income Tax Officer is allowed to use his discretion as to what percentage or proportion is suitable and reasonable. He may be appealed but, in point of practice, the Income Tax Appellate Tribunal, and not the Courts, is the final appeal forum on what must be in most cases a question of fact. Largely because of this last point, there appear to be no reported cases on what constitutes a close connection, and the powers of the Income Tax Officer in this respect seem to be all the more dangerous because the Courts cannot in practice exercise a restraining influence.

### The Genesis of Assessment

A business connection assessment usually begins with a request by the Income Tax Officer to an Indian company or firm for particulars of the commissions credited in his accounts and of the volume of business done with important suppliers and customers. Thereafter he requires information regarding the conduct of business with non-resident companies, including copies of agreements and of ledger accounts. Armed with all these latter facts, he then proceeds to assess either the non-resident or nominates an agent in India as the assessee. If the non-resident has sufficiently extensive interests in India, assessment will be on the former. If that is uncertain, the agent will be assessed and the non-resident principal will be faced with the decision whether or not to indemnify the agent.

It may well be asked what prospects are there of a double tax convention, for presumably business connection assessment, which is alien to most tax systems, would be nullified by a convention of the normal type. The recent American-Indian Convention has done away with it, but at a cost which, in the case of Britain, would be unbearable. Under this convention, India is given the right to tax shipping profits of American lines in so far as they are deemed to arise in India. A similar concession would be most unpalatable for Her Majesty's Government and it is to be feared that the chances of an Anglo-Indian Convention are remote.

To the bewildered British exporter faced suddenly with an assessment on income which was received in London and to his simple mind properly declared for United Kingdom tax purposes, there is only one piece of general advice worth while. In most cases it will be practically impossible to avoid the assessment on the ground that there is no business connection; therefore, the main effort should be concentrated on reduction of the *quantum* assessed. If it is possible to produce figures on which to base a counter-reply, the prospects of reduction seem to be reasonably good. In any event, the chances of securing unilateral double tax relief from the United Kingdom Revenue may well be enhanced. It should be remembered that the latter will not give relief unless they are satisfied that the income concerned stems from India, and on that point a full investigation by the India Appellate Authorities would be more likely to convince Somerset House than an agreed compromise with the Indian Revenue.



# The Auditor and the Computer

by A. W. HOWITT, M.A., F.C.A., F.C.W.A.

**A**S yet most internal auditors and public accountants have not expressed much concern about the difficulty of auditing electronically prepared reports. In fact, at various meetings, speakers have reassured the audiences that basic accounting principles will not be changed, and that most auditing techniques will still apply. *There is not much experience from which to draw conclusions as to the accuracy of such statements.*

This paragraph was true when it was written by an American in 1956. It is still true today – just about as much so in the United States as it is in Britain and elsewhere.

In the seventh issue of the 'Survey of Digital Computer and Calculator Users and Orders', prepared by Mr and Mrs Pedder and published in the January 1960 edition of *Automation and Automatic Equipment News*, there are listed the computers which had been delivered in the United Kingdom by the end of 1959 – the total is one short of 300, of which not far short of half were the relatively small computers of International Computers & Tabulators. In round figures, these amounted to fifty '1200' series, fifty 'P.C.C.s' and thirty '555s'.

A look through the details of the applications on which each computer is being used, however, shows that only 100 of the 300 delivered were ever likely to come into contact with the auditors. The three types of computer already mentioned account for about 60 per cent of this 100. The 'P.C.C.s' and '555s' are very nearly punched-card calculators, having extremely limited storage; auditing them differs very little from a conventional punched-card installation. The '1200' series have sufficient storage for a sizeable programme, but rarely for the permanent retention of accounting information; auditing them, therefore, is not likely to differ greatly from conventional punched cards.

Of the forty larger computers, one-half were NATIONAL ELLIOTT 405s and the remainder, apart from one or two STANTEC ZEBRAS and EMIDECS, were fairly evenly spread between PEGASUS, LEOS and IBM 650s. But those who are closely in touch with

commercial applications will know that of this forty – no names, no pack-drill – an appreciable number had, even have as yet, done no useful work, owing to unfinished programmes, machine difficulties (both computer and ancillary equipment) or other causes.

Although some very large companies, among which most computers are naturally to be found, have internal auditors and even resident external auditors, auditing is normally an annual or at most half-yearly event. The amount of genuine experience of auditing large and medium-sized computers in this country can, therefore, be fairly stated to be insignificant, and those of us who have some slight experience will do well to remember this fact.

## Duties of Auditors

Before considering how computers can affect auditing, it is advisable to do a little deep thinking on the subject of the duties of auditors. As there are unlikely to be many partnerships owning computers for a great many years, we can confine our thoughts to the audit of limited companies. Section 162 of the Companies Act, 1948, says that

the auditors must make a report stating, subject to various qualifications, that:

- (1) they have received all the necessary information and explanations, and that, in their opinion,
- (2) proper books of account have been kept, and
- (3) the profit and loss account and balance sheet give a 'true and fair' view of the position.

This, then, is the statutory duty of an auditor, but he has, or may have, a common law duty as well, in that he must exercise 'reasonable care and skill'; and this is particularly relevant to computers where the detection of fraud and/or error is concerned.

But from the viewpoint of any reputable accountant, his professional reputation is of far greater importance, and will lay down far stricter disciplines, than these responsibilities under either statutory or common law. However, the three responsibilities are very closely connected since, if an auditor has complied with what is regarded as the best professional



Mr A. W. Howitt



practice, he is unlikely to have transgressed in either common law or statutory law. Moreover, what is regarded as the best professional practice is continually changing and, therefore, although happily it is rarely tested in the Courts, an auditor's liabilities under both common and statutory law are also continually changing.

The stress that has been placed on the various aspects of an auditor's duties has perceptibly changed in the past fifty years, probably largely due to the increase in size of businesses and the wider spread of shareholdings. The detection of fraud and errors is still important, in that probably the major responsibility is now felt to be to ensure that no accounts are sent out that are prepared by the directors in a manner aimed at deceiving the shareholders, or indeed, any third party who might rely on the accounts. But minor errors or defalcations are of no importance when viewed from such an angle; they are matters which have happened and are gone and, if they have resulted in some loss, are correctly included as a reduction from the trading profit, to which attention need not be drawn in the accounts.

It is generally accepted that as a business grows so does the duty of the executives so to design the system that, within reasonable limits, defalcations and errors do not take place. The responsibility of the auditor shifts, likewise, from doing a 100 per cent check of all transactions, to satisfying himself that a system is theoretically sound and to carrying out a suitable test check to ensure that the system is being carried out in practice.

### Internal Check

Only large companies can afford to use large computers for normal accounting processes – there may be the odd exception to this statement, but it will, very largely, be true for many years to come. It follows that when an auditor is faced with a computer he is dealing with a large company, where his audit must be aimed at checking the design and use of the system, with a minimum of checking detailed transactions.

The prime requirement of the accounting system of any but the smallest concern is an adequate internal check, brought about by a suitable allocation of duties. In its simplest form, for example, the man who prepares and sends out the invoices should not also receive and enter up the cash; the man who makes up the pay-packets should not also hand them to the recipients; control, or total, figures should be kept by a supervisor or manager, and the clerk carrying out the detail should not have access to them.

The system and the internal check, then, are the main points in auditing a computer installation, and in this it is little different from any other large installation, whether it be punched cards, keyboard accounting machines, or real old-fashioned manual. I say 'little different' because there are some differences.

To dispose first of a technical difference: it might be doubted whether some dots on a magnetic tape

or drum or some pulses running along a mercury tube represented the keeping of 'proper books of account' within the meaning of the Companies Act. There are still companies and auditors to be found who object to normal keyboard ledger cards on the grounds of security – 'as one of the cards might get lost'. There are a great deal more who are frightened of punched cards, particularly where used for bought or sold ledgers, for similar reasons – and well might they be frightened if they don't insist on a good enough system and a firm enough discipline to deal with the matter.

But nobody that I know of has refused to sign an audit certificate because punched cards were not 'proper books of account'. It may be said that you can learn to read punched cards visually, or that you can tabulate or re-tabulate all the cards if you want, and so you can, but it's certainly a very tedious and may be an impossibly lengthy process. Most auditors are terrified at the thought of a computer – and I don't altogether blame them – but I doubt if any will object on the grounds that a computer is not a proper book of account, provided, that is, that the thing works properly!

### The Auditor's Approach to the Task

What then is the difference? I think it is that a computer can present the auditor with a far more difficult proposition in his task of finding out what the system is supposed to be and whether or not it works in practice. How is an auditor to equip himself for this task? One well-known firm of chartered accountants, when faced with carrying out one of the very first audits of a computer installation in this country, went to the length of sending the audit staff concerned on full programming courses. Although, so I understand, this firm has now decided that such action is not necessary, I think they were, in the particular circumstances, to be congratulated on their initiative, and I am certain the audit staff would be the better for their experience. Such action, however, is unlikely to be either economic or practicable. Programme courses average four weeks in duration, and some of them cost upwards of £100, excluding salary and overhead costs of staff; moreover, an integrated system, or even a number of separate applications, will probably involve several audit staff.

There are three further, not unconnected, drawbacks to such a plan. Firstly, the turnover of audit staff is such that there would probably be a need for fresh programming courses every year. Not only would this be costly and time consuming, but, secondly, machines of a certain type will be in operation for years after new sales of them, and therefore programme courses have ceased; that, for example, is already true of at least one type of computer. Lastly, there are too many types of computer available for any auditor to be expert in more than a very limited number.

A number of the large firms of chartered account-

• very nervy at this stage, and would very willingly wash their dirty linen in private. Unless they are amazingly self-confident they realize that they are about to run into trouble, and they may prefer to do so without a lot of semi-ignorant onlookers. This is where an auditor who has taken an interest all along will reap his benefit, as he will by now be almost accepted as part of the team.

Programmes are written in relatively short segments, or sections, by a number of programmers, and the original debugging of these segments is a lengthy and technical process, which need not concern the auditor. It is when the segments are 'linked', or joined together, that the auditor should become interested, and particularly so when the team fondly hope that they have completed the assembly of the programme. By this time he should have completed his audit control file, with a separate section for each 'run'. His file should contain:

- (1) Copies of all source documents, and details of the checks that have been carried out to ensure their correct entering up.
- (2) Details of physical control over source documents, and of any control totals of numbers, quantities or values, including who is to keep these controls.
- (3) Full description of how the source documents are to be converted into input media, and the checking and control procedure. This should include details, probably diagrammatic, of the layout of the input media.
- (4) The arrangements for retaining source documents and input media for suitable periods. This is of great importance, as they would be required for reconstructing stored files in the event of error or mishap.
- (5) A detailed flow diagram of what takes place during the processing run. This must include all the mechanical, programme and internal checks and all exception and error procedures. This is the basic document, without which any further action by the auditor will have little value. It is essential to have it prepared and agreed with the programmers *before* final programme testing or dual running begins. If this is not done the auditor's ability to glean from the tests whether or not the programme exists in the supposed form will be very limited.
- (6) Details of all tapes or films to be produced, including their layout labelling, storage and retention.
- (7) Copies of all output documents and their subsequent sorting and checking, if any.
- (8) The auditor's comments on the effectiveness of the controls.

The dividing line between debugging and parallel running may well be ill-defined. From a series of check-tests, with specially prepared data intended to test the programme with every possible type of input and error, but inevitably failing to include everything, the next step may well be trying some genuinely operational input. It may well be, however, that the programme is known to be incomplete so far as certain sub-routines are concerned, so that

either the programme must be arranged to reject input data requiring the use of these sub-routines, and print out the data as exceptions or errors, or, alternatively, the input data must be vetted by hand in order to eliminate the data concerned.

### Importance of Controls and Records

It is at this stage that the importance of controls and careful records arises. After literally years of programming, it is easy to overlook temporarily the need for detailed manual controls at the programme testing and parallel running stage. It is no good relying on the computer to check itself, when you are trying to check the programme and the computer. An absolutely rigorous control over the input and output is required, entirely independently of the computer.

I am not, of course, saying that all applications require, or are capable of, full parallel running, and certainly not for the long periods which have sometimes been suggested. Reconciliation between computer output and the old method may well be extremely arduous, and, if carried beyond a certain point, may only represent the rather profitless finding of mistakes in the old method which have been going on for years. For example, one computer, with which I am connected, not only showed that there were a great many errors in the old method - which was known and generally accepted already - but also showed up very rapidly that the company's sales representatives had discovered means of circumventing the rules clearly laid down as to the trade terms they could grant. These tricks of the trade got through the manual system - and the auditors - without query, but the computer knew the rules exactly, carried out a 100 per cent check, and rejected all orders which did not comply with the rules!

During this testing and parallel running stage, the auditors cannot expect to find an adequate system of internal check in force. The programmers will inevitably be assisting the console operators - who are unlikely to be sufficiently experienced to operate by themselves - and emergency action when errors are discovered will be taken by those who wrote the programmes concerned. The correct procedures can only be developed after the difficulties have been ironed out and experience of operating has been gained. It is none the less essential that strict discipline should be maintained in recording all errors, which will require a surprisingly detailed analysis of them, and the action taken.

The records kept will include not only the programme or input errors, but also machine faults. Figures of good running time can be very misleading, unless carefully investigated and understood - misleading, that is, both as to the behaviour of the machine and as to the quality of the input. What is termed 'good' time can include a lot of wasted time - wasted, that is, by virtue of faulty input, input mechanisms or electronics, resulting in far too many programmed checking procedures being run through

over and over again – and it is probably impossible, except by hardly practicable programming, to calculate this waste – and wasted by the computer continuing to spoil work, which has subsequently to be re-run, before a fault is discovered. Further, do not pay too much attention to figures based on results over a period; good figures of this sort can hide disasters on individual days which, depending on the application, can be far more important than a long-term average.

### Dispensing with the Old System

An auditor who has considerably interested himself in the test stage may find that he is requested to undertake the not entirely enviable task of advising the company as to the stage at which the old system may be dropped. It would be unreasonable to expect any auditor to state categorically that the computer application had now been proved and that it would henceforth be reliable. He can only be expected to give a view as to whether, as a commercial risk, it seems right to rely on the computer. In considering this problem he will have regard to:

- (1) the records to date of machine reliability;
- (2) the adequacy of the testing of the programme;
- (3) the state that training has reached;
- (4) the standby arrangements in the event of machine failure;
- (5) the probable financial result to the company of a major breakdown.

The auditor must not be too cautious in his approach to this problem, as the company has by now got a considerable investment on its hands and is incurring the double costs of the old system and

the new. On the other hand, the company must realize that, compared with what they have spent to date, the cost of a bit of caution is small, and that it is a pity to risk causing confusion after years of hard work for the sake of a month's savings.

When the great day of full operational running has passed, the time of auditing will approach. The auditor who has taken an interest in the installation will now be well equipped to draw up his audit programme.

It has been suggested, by at least one very knowledgeable member of the profession, that the auditing of computers will call for surprise visits by the auditor – rather like a swoop to count the petty cash – so as to check the procedure being followed. This is a very sound view, but there are at least two difficulties, neither of them insuperable, in its way. Firstly, a computer may well be occupied for most of the time with procedures with which the auditor is not concerned; he will therefore have to know exactly when the procedure he wishes to watch is to be carried out. While a rigid programme of work will be essential on a heavily-loaded computer, an ill-timed inquiry could destroy the element of surprise. Secondly, and far more importantly, the idea of an auditor being able to assess what procedures are being operated assumes that he knows a quite considerable amount about it.

Anyone who has stood sufficiently close to a computer in operation, without really knowing what was happening, will remember what a fish out of water he felt. For the sake of the future good name of the profession, it is to be hoped that few auditors will find themselves in that position at their clients' offices.

## Weekly Notes

### More Budget Advice

IN the forefront of a letter sent by the chairman of the Income Tax Payers' Society, Mr Geoffrey Stevens, M.P., F.C.A., to the Chancellor of the Exchequer is a recommendation that the standard rate of income tax be cut in the next Budget, with corresponding cuts in the reduced rates. Next in importance, the Society thinks that the starting-point for surtax should be raised. It recommends an increase in the Schedule A statutory repairs allowance – to 100 per cent in the case of the smallest properties. It also suggests that the rules governing expenses in the case of Schedule D and Schedule E should be the same. A depletion allowance for extractive industries

in the United Kingdom, long advocated by many people, has the support of the Society. It also thinks that deductions for payments to approved educational institutions, under Section 140 of the Income Tax Act, 1952, should be available to persons assessed under Case II of Schedule D. There is a topical note in the recommendation that allowances for the maintenance of river banks (at present spread over twenty-one years) should be re-examined, the law having been unchanged for over one hundred years.

The Association of British Chambers of Commerce has written to the Chancellor to say that the control of inflation is more important than tax reductions. However, it thinks that Government expenditure could be reduced and it recommends that the surtax burden should be reduced, accompanied by a reduction in the standard rate of income tax. It also recommends that the 5 per cent and 10 per cent rates of purchase tax should be abolished, as being hardly worth the cost of collection and so as to give corresponding relief to those people who would not benefit from reductions of direct tax. The

Association suggests that when a Finance Bill is published some attempt should be made to explain what it means; on the lines of the briefs prepared for Government spokesmen.

The National Union of Manufacturers recommends an increase in investment allowances to 40 per cent, and a raising of the starting level for surtax from £2,000 to £5,000. It also recommends a scaling down of rates both of purchase tax and of death duties. The suggestion is made that it should be possible to take out an insurance policy for the benefit of the Estate Duty Office, the proceeds not to be aggregable with the rest of the estate.

### Sir Harold Howitt Resigns from Institute Council

**SIR HAROLD HOWITT** has resigned from the Council of The Institute of Chartered Accountants in England and Wales, of which he has been a member for nearly thirty years. The resignation was received by the Council at its meeting on January 4th with profound regret which will undoubtedly be felt by the whole body of the Institute's membership.



Sir Harold Howitt

has been a member of the Institute since 1909. He was elected to fellowship in 1918, became a member of the Council in 1931 and was President of the Institute in 1945-46. He was President of the Sixth International Congress on Accounting held in London in 1952.

Besides his enviable record of service on behalf of the Institute, on most of whose committees he has served as a member, frequently as chairman, Sir Harold has often represented the Institute—and, indeed, the profession—before outside committees and commissions. He has also himself been a member of numerous Government and other committees, commissions and tribunals, particularly in recent years, it will be recalled, as one of the 'Three Wise Men'—as the Council on Prices, Productivity and Incomes came to be known to the public.

Sir Harold has a distinguished war record. He saw active service with the Green Howards, being mentioned in dispatches four times, in the First World War, and was a member of the Air Council from 1939 to 1946. He received his knighthood in 1937.

A tribute to Sir Harold by Sir Thomas Robson is included in the report of the meeting of the Council of the Institute elsewhere in this issue.

### Writ Against the Institute

**THE** Institute of Chartered Accountants in England and Wales has confirmed newspaper reports that a writ has been issued against the Institute by the George S. May International Company (G.B.), a firm of business efficiency consultants. This follows the recent circulation by the Institute of a confidential letter to members in which certain references to the firm were made.

The Institute has no comment to make on this matter.

### Control of Indirect Costs

**I**N the spring of 1959 ten accountants, an engineer and an economist, all members of the British Institute of Management, and representing between them companies with such diverse products as shoes, railway equipment and pork pies, met each week for two months under the chairmanship of Professor David Solomons, B.COM., F.C.A. (formerly of Bristol University, now at the Wharton School of Finance and Commerce, University of Pennsylvania). They called themselves the Bristol Study Group and the focus of their inquiries was the growth and control of indirect costs. The results of these discussions have now been published as No. 7 in the series of Occasional Papers issued by the B.I.M.<sup>1</sup>

Realizing that the concepts of direct and indirect expenses may vary between industries and even between individual companies making the same products, the group adopted the broad definition of indirect costs as 'those costs which cannot economically be allocated directly to a particular unit of a business'. On the further assumption that the bulk of indirect costs is caused by the employment of labour and on the premise that wages keep in line with prices, the group attempted to measure the growth in indirect costs by (a) comparing them as a percentage of direct labour costs, and (b) expressing the number of indirect workers (including salaried staff) as a percentage of the number of direct workers.

Taking as a sample the nine years from 1950, the statistics obtained by the members of the group from their respective concerns indicated that engineering companies had a higher ratio of indirect to direct workers than had companies engaged in process industries and had experienced on the whole a greater relative growth of indirect costs since 1950. This trend was emphasized by the finding that for two of the non-engineering companies indirect costs, regarded as a percentage of direct wages and salaries, had actually declined in importance over the same period.

Even more significant than those comparisons is the frank admission in the report that no member of the group seemed satisfied by the methods employed by his company to control costs, in particular those costs relating to selling and distribution. The need

<sup>1</sup> *The Growth and Control of Indirect Costs*. British Institute of Management, 80 Fetter Lane, London, EC4. 6s 6d net (5s to B.I.M. members and collective subscribers). Postage 4d.

for objective criteria on which to base budgets and by which to evaluate results is stressed and, in this connection, is noted the practical difficulty that the people best able to supply this basic information are often those whose activities the budgets and other standards of measurement are intended to control.

### Computer Exhibition, 1961

THE work of the new generation of computers' will be the theme of the Electronic Computer Exhibition to be held concurrently with the Business Efficiency Exhibition at Olympia, London, from October 3rd to 12th. Indications so far show that emphasis will be placed at least as strongly on new applications as on new equipment.

Plans are being made to reach out especially to the business man who is currently faced with the decision to install electronic data-processing equipment. The exhibition will aim to talk to him in management terms. In order to widen the range of experience placed at their disposal, those attending the exhibition will be able to arrange, on exhibitors' stands, visits to computer system installations of particular interest to them – to take place after the exhibition.

At the same time as the exhibition, the Business Computer Symposium – to be held at Olympia on October 4th, 5th and 6th – will bring forward users from some of the largest and smallest firms in Britain to speak of their experience with computers and to exchange information. On the first day, under the heading 'Then and now', a number of users who spoke in the 1958 symposium will explain the advances that have taken place since that time. On the second day, speakers from various industries will detail the work of preparation and installation of up-to-date electronic data-processing systems, while the final day will be taken up by a Brains Trust in which a number of small users will describe the benefits they have obtained from service centres, and addresses by two or three of Britain's leading authorities on computers who will refer to some of the techniques of the future.

### Nine Months' Fiscal Returns

AS has happened in the first two quarters of this fiscal year, the Exchequer returns for the first nine months of 1960–61 show an increased deficit on ordinary account and a smaller deficit compared with the same period a year ago on capital account. Total ordinary expenditure (excluding certain self-balancing items) in the first three quarters of the current fiscal year came to £3,518 million compared with £3,355 million in the same period last year. Expenditure increased from £3,800 million to £4,175 million, giving a deficit of £656 million compared with £446 million last year. The main cause of the increase has been a rise of nearly 10 per cent in expenditure by the supply services but the rise in Bank rate has also raised the servicing costs of the national debt.

Capital account below the line shows a deficit of £490 million compared with one of £575 million for

the first nine months of 1959–60. The main causes for the smaller deficit have been increased receipts under the Coal Industry Nationalization Act, 1956, decrease in expenditure on post-war credits and smaller advances to the railways.

### Jenkins Committee Hearings

THE minutes of evidence of the fifth day's hearing by the Company Law Committee (October 28th, 1960) have now been published.<sup>1</sup> Oral evidence was taken from Mr Registrar Berkeley, from representatives of the National Chamber of Trade (who included Mr H. Austral Ryley, F.C.A., and Mr P. J. Mortlock, F.C.A.), and from representatives of the General Council of British Shipping (who included Mr C. W. Aston, F.C.A., and Mr F. Charlton, F.C.A.). The memoranda to the Committee, on which the witnesses were questioned, are included as appendices.

The General Council of British Shipping is in favour of the retention of the exemption enjoyed by shipping companies from certain requirements as to full disclosure in published accounts. Mr Aston was asked to comment on the decision of the Peninsular and Oriental Company to disclose reserves in its consolidated accounts, notwithstanding the exemption. He explained that the company was concerned to meet criticisms in certain countries. Moreover, as the group controlled the operations of some hundreds of ships in various parts of the world it was thought that such disclosures as were made would be of no help to foreign competitors. In the case of some P. and O. subsidiaries, trading on particular routes, full use was made of the exemption. Accordingly, the fact that P. and O. voluntarily disclosed certain reserves in its consolidated accounts did not mean that the exemption was not still a valuable thing to British shipping.

### Technical Education Reconstructed

AN important step has been announced by the Government in the provision of better facilities for improving the flow of properly trained technicians and skilled operatives into industry. In a White Paper called *Better Opportunities in Technical Education*<sup>2</sup>, the Minister of Education says that these proposals are for a major reconstruction of courses for technicians and operatives in technical colleges in England and Wales. Some half-million students attend such courses at present and a big increase in numbers is anticipated.

The main proposals are that students should start at a technical college immediately after leaving school. Preliminary courses in evening institutes should be discontinued. Secondly, greater care should be taken in the selection of students and colleges should experiment with full-time induction courses and with

<sup>1</sup> H.M.S.O. 4s net.

<sup>2</sup> Cmnd. 1254. H.M.S.O. 1s 3d net.

tutorial methods. Thirdly, courses will include National Certificate and Diploma Courses for students aiming to become high-grade technicians, courses for particular industries, craft courses and courses for operatives. There are also recommendations to reduce the Ordinary National Certificate from three to two years accompanied by a higher entry standard, special four or five years' courses for technicians, new general courses, modified craft courses and greater use of sandwich courses.

More time is to be given for day release schemes and less emphasis is to be placed on evening study. The emphasis on the proposals is thus to improve the quality of entry, provide courses more related to adolescents' careers and to give school-leavers a prospect of continuing study and not a dead-end to this when they leave school. All the proposals have been discussed with the professional bodies and education authorities concerned and their implementation will be in the hands of the latter.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 59

OUR local society has just held its first annual dance, approved by the committee after much controversy, and it very nearly proved a disaster. In retrospect, we seem to have made nearly all the mistakes possible; perhaps this post-mortem will serve to help other aspiring committees.

The first meeting of our dance sub-committee had a gloomy atmosphere which rather set the tone for the future of the event. It consisted of a chairman, who is our own company auditor, three other qualified men and two article clerks roped in to represent the younger generation. Our blunder lay in the fact that these two were the only dancing men. The chairman is admirable in his professional capacity, but his ideal of joy in life is to stand thigh-deep in cold running water all day, silent, contemplative and solitary, killing salmon; the mental philosophy inherent in such pleasure almost killed our dance as well.

Nevertheless, the mechanics of the project were adequately organized. The best local hotel with its excellent floor, bands, and supper; a suitable Tuesday night; a target of 120 dancers; three V.I.P.s as official guests; it all seemed satisfactory. Then expenses estimated at so much, *a* plus *b* plus *c*; such-and-such profit per ticket; result: success. *Quod erat demonstrandum*. Send out the circulars and meet in three weeks to finalize the table-plan.

I had been anticipating the organizing of a ladies' sub-committee - all the wives and daughters and girl-friends gathered over tea in a frou-frou of frocks and laughter and chatter about carnival novelties and hats and spot-prizes. Mutual rivalry and feminine excitement would trigger off a good muster and an enjoyable evening. The chairman's reaction was that such frivolity was quite unnecessary and his senior colleague, a bespectacled character who is always lecturing audiences from intellectual panels, was equally crushing. We'd easily sell our quota of tickets, he said loftily; just get in the names for the

table-plan and collect the cheques beforehand, and all would be well.

We got argumentative then. The chairman had visualized an E-shaped table plan with all the V.I.P.s at the top, and was startled to learn that nowadays people organizing parties expect to revel at separate tables. The systematic Spectacles wanted typed name-cards for every seat a week in advance and seemed aggrieved when our article clerk from Cardiff objected violently. There's silly it is, he complained; his boys were free to choose their partners at the last moment if they wanted to, whatever. And no nonsense, isn't it?

However, we sorted it out finally and hoped optimistically that it would be all right on the night.

But it wasn't. We only just got by, owing to our inexperienced approach. Particularly at the beginning, when our auditor chairman decided unilaterally to abandon the plan to receive the queue of guests with old-world formality, with chains and badges of office and the toast-master to announce them individually. 'Stuffy red-tape,' he said with damning effect, so we all mingled unheralded and unwelcomed, and no one met the V.I.P.s at all.

In addition, the guests seemed rather vague about their hosts, and I met one charming lady later in the Paul Jones who quite thought that we were the actuaries.

Still, we nearly filled the ballroom, after some frantic last-minute telephoning. The Cardiff man and his partner spun like Dervishes; our senior practising members danced cheerfully with the wives of their most valued clients and all went merry as a marriage bell. All, except in a sombre island of non-dancing types whose bosses had insisted on the firm being represented. Glum, they seemed. Among them, I overheard Spectacles pontificating to three ladies: 'Thirdly, just review the calamitous effect of subsection 7.' Their faces were strained and sorrowful; it seems only charitable to suppose that subsection 7 was responsible.

Reminiscent of Marshall's devastating comment in *The Bank Audit*, of 'the typical youngish chartered accountant of ability, whose intelligence was so absorbed by his work that there was none left over for anything else'.

Still, our guests enjoyed themselves hugely, so we reckon we just pulled it off.

# Finance and Commerce

## Camp Bird

THIS week's reprint features the accounts to April 30th, 1960, of Camp Bird Ltd whose auditors have again found it necessary to qualify their report substantially. The matter is a sequel to the previous year's accounts and auditors' qualifications thereon reproduced in our issue of January 9th, 1960.

In the present consolidated profit and loss account, the auditors state, the item 'Balance after taxation' £109,214 is after treating as profit the sum of £278,898 representing capital profits of investment trusts on disposal of interests in subsidiaries and other companies which are not available for distribution by way of dividend, but this sum is excluded in arriving at the 'Consolidated loss after taxation'.

The auditors are unable to express an opinion as to the value of development expenditure amounting to £1,603,678 (1959 £985,191) which has not yet produced any material amount of income, and they do not consider that the net premium on acquisition of shares in subsidiaries included at £101,219 (1959 £123,602) in the consolidated balance sheet is justified by the past results and the financial positions of the companies concerned. 'Two companies, the premium relative to which is £216,456', they state, 'showed trading losses in the past two years'.

## Mixture of Interests

A half-share in one of these companies, the audit report discloses, was sold in April 1959 and repurchased in April 1960 at the same price; its trading losses were £129,305 for 1958-59 and £26,440 for 1959-60. As this company was not a subsidiary at April 30th, 1959, nor thereafter until April 29th, 1960, these losses, the auditors point out, did not fall to be included in the consolidated profit and loss account.

The company has an odd mixture of mining interests - the old Camp Bird mine in California which the directors hope to restore to profitable production - with unrelated business such as Hartley Baird, one of the names in electronics, and a ceramics division that controls 'brick, cable, tile and concrete manufacturing'.

Mr John Dagleish, the chairman of Camp Bird, states in his annual review that 'a further £163,000 was invested in bringing the Camp Bird mining properties in Colorado towards the point of pro-

duction and a further £430,000 was invested in our steel cold-forging process'.

## What is Reasonable?

COMPANY meetings are required to be held at a reasonable time and place. There is the instance of a meeting of the Silvermines Lead & Zinc Co Ltd which, the notice said, was to be held at 2.30 a.m. at *Jury's Hotel*, College Green, Dublin. It is, of course, possible to imagine, by some standards, a quite enjoyable meeting at such a time and place, although the more sober-minded would no doubt regard the time as unreasonable. Perhaps unfortunately, the 'a.m.' was a printer's error.

Just at the end of the year, a shareholder at the annual meeting of Thomas Blackburn & Sons Ltd, engineers and ironfounders, protested against the holding of the meeting in London. The shareholder, a lady, pointed out that it was a Preston company and its meetings had hitherto been held in that town. The shareholder failed to obtain support for her protest but felt the matter so keenly as to suggest that she would retain the right to circularize shareholders before the next meeting.

Mr C. C. Miller, B.COM., F.C.A., explained that before changing the place of meeting, the share register had been examined. It was found that the majority of shareholders lived in the Midlands and the south, so London, it was thought, would be convenient for most shareholders. Public companies, Mr Miller reminded the shareholder, were national, not local, institutions.

## Tributes to Auditors

AN auditor's position in company life is in many respects akin to that of a back-room boy. On some audits, the scene is often very much 'back room'; and the auditor's connection with shareholders rarely exists beyond the printed report on the balance sheet.

It is gratifying to record, therefore, that at the annual meeting of Charles Roberts & Co Ltd, in Wakefield, the chairman took the opportunity to pay a tribute to the outstanding services which the auditors had rendered to the company for many years. In acknowledgement, Mr E. Duncan Taylor, F.C.A., expressed gratitude for the confidence in his firm, as auditors; he referred to his long acquaintance with the hire-purchase industry, and confirmed what the chairman had told stockholders regarding the difficult conditions facing hire-purchase companies in the past year.

A similar recent instance occurred in London at the first annual meeting of United Breweries Ltd. This company is an amalgam of several breweries, some of which are centuries old. At the meeting, Mr H. L. Bradfer-Lawrence, the chairman, made reference in the highest terms to the good work performed by the auditors.

It is heartening for those who perform their duty out of sight of those they serve, to be remembered in this way.



## CAMP BIRD LIMITED AND SUBSIDIARIES

Consolidated Profit and Loss Account  
for the year ended 30th April 1960

	1960	1959
£	£	£
Profits on realisation of investments after taking into account £278,898 profits realised by investment trusts not subject to tax and not available for distribution	242,793	665,127
Trading profits less losses of subsidiary trading companies subject to depreciation	295,323	366,345
Dividends (Gross)	19,766	1,272
Sundry income	6,153	25,474
	566,035	1,058,218
Less: Administration expenses	174,526	197,072
Depreciation of fixed assets	123,856	130,493
Interest on secured loans	45,419	22,465
Bank and other interest	76,520	48,279
Auditors' Remuneration (Holding Company)	3,150	3,200
	423,471	391,509
	142,564	666,709
Deduct: Taxation based on the taxable profits of the year less relief in respect of losses:—		
Income Tax	18,525	275,288
Profits Tax	14,825	72,345
	33,350	347,633
—Balance after Taxation	109,214	319,076
Add: Proportion of losses less Profits of Subsidiaries attributable to outside shareholders	6,656	(Profit) 46,925
	115,870	272,151
Less: Capital Profit of Investment Trusts taken into account above (see Note 2)	278,898	—
Consolidated Loss after Taxation and Transfer to Capital Reserve attributable to members of Camp Bird Limited	(163,028)	(Profit) 272,151
dealt with in the accounts of:—		
Camp Bird Ltd	260,737	260,737
Subsidiary Companies	11,414	11,414
Add: Balances brought forward:—		
Camp Bird Ltd	150,449	130,315
Subsidiary Companies	60,024	48,610
	210,473	198,925
Less: Amount applicable to subsidiaries disposed of during the year (see Note 2)	80,365	—
	130,108	198,925
Add: Refund by Camp Bird Trustees Ltd of an amount contributed in 1957 for a pension fund	50,000	—
	180,108	198,925
Giving a total available to the members of Camp Bird Ltd	17,080	471,076
Less: Appropriation in Accounts of Holding Company:—		
Dividends less tax	—	260,603
Balance unappropriated carried to Consolidated Balance Sheet:—		
Camp Bird Ltd	150,449	150,449
Subsidiary Companies	60,024	60,024
	17,080	210,473

The notes on pages [51] form part of these accounts.

## Auditors' Report

In the consolidated profit and loss account the item "Balance after Taxation" £109,214 is after treating as profit the sum of £278,898 representing capital profits of investment trusts on disposal of interests in subsidiaries and other companies which are not available for distribution by way of dividend, but this sum is excluded in arriving at the "Consolidated Loss after Taxation".

We are unable to express an opinion as to the value of Development Expenditure amounting to £1,403,678 (1959 £985,191) which has not yet produced any material amount of income.

We do not consider that the Net Premium on Acquisition of Shares in Subsidiaries included at £101,219 (1959 £123,602) in the consolidated balance sheet is justified by the past results and the financial positions of the companies concerned. Two companies, the premium relative to which is £216,456, showed trading losses in the last two years. A half share in one of these companies was sold in April, 1959, and repurchased in April, 1960, at the same price; its trading losses were £129,305 for 1958/59 and £26,440 for 1959/60. As this company was not a subsidiary at 30th April, 1959, nor thereafter until 29th April, 1960, these losses did not fall to be included in the consolidated profit and loss account.

Except for the foregoing reservations, in our opinion the annexed accounts and the notes on pages [51] give so far as concerns the members of Camp Bird Limited a true and fair view of the state of affairs as at 30th April, 1960, and the loss for the year ended on that date of the company and of the group consisting of the company and its subsidiaries.

The accounts of certain subsidiaries have been audited by other firms.

We have obtained all the information and explanations which we considered necessary. In our opinion the company has kept proper books and the balance sheet of the company, which is in agreement with them and with the said information and explanations, gives with the group accounts and notes in the prescribed manner the information required by the Companies Act, 1948.

PRICE WATERHOUSE & CO  
Chartered Accountants

3 Frederick's Place,  
Old Jewry,  
London, E.C.2.

21st December, 1960.



[illegible]

The notes on pages [51] form part of these accounts.

## NOTES ON THE ACCOUNTS

## 1. The Emoluments of the directors of Camp Bird Limited, including amounts paid by subsidiaries were:—

	Year ended 30th April, 1960	Year ended 30th April, 1959
Fees .. .. .	£ 800	£ 548
Management Remuneration .. .. .	28,143	31,587
	<u>£28,943</u>	<u>£32,135</u>

## 2. Movement in consolidated capital reserves other than share premium account:—

Balance at 30th April, 1959 .. .. .	26,771
Add: Transfers from consolidated profit and loss account in respect of profits in investment trust subsidiaries not available for distribution to members of Camp Bird Ltd (including £80,365 out of the balance brought forward on profit and loss account) .. .. .	359,263
	<u>386,034</u>
Less: Amount applied by an investment trust to write down the cost of investment in its subsidiary .. .. .	60,000
Balance at 30th April, 1960 .. .. .	<u>£326,034</u>

## 3. Movements in net premium on acquisition of shares:—

	£	£
Balance at 30th April, 1959, comprising:—		
Premium on acquisition of certain subsidiaries .. .. .	588,142	
Less: Capital reserves arising on consolidation of other subsidiaries .. .. .	464,540	
	<u>123,602</u>	

Add: Excess of cost (less amounts written off) of shares in subsidiaries acquired during the year over holding company's interest in the amounts at which the net assets of those subsidiaries were stated in the books at the dates of their acquisition by the group .. .. .

	108,257
	<u>231,859</u>

## Deduct: Premiums less capital reserve (£53,837) eliminated on sales of interests in subsidiaries .. .. .

	70,787
Net surplus arising on revaluation of fixed assets of a subsidiary acquired in April, 1959 .. .. .	59,853
	<u>130,640</u>

## Balance at 30th April, 1960, comprising:—

Premium on acquisition of certain subsidiaries .. .. .	511,922
Less: Capital reserves arising on consolidation of other subsidiaries .. .. .	410,703
	<u>£101,219</u>

## 4. Fixed Assets of the Group:—

	30th April, 1960	30th April, 1959
	Cost or Valuation	Cost or Valuation
Freehold property .. .. .	£ 1,003,375	£ 979,837
Leasehold property .. .. .	23,738	23,738
Plant, machinery and motor vehicles .. .. .	172,959	166,885
Fixtures and fittings .. .. .	1,513,418	1,043,307
	<u>£2,870,888</u>	<u>£2,296,417</u>
	£574,471	£560,355
	<u>£2,296,417</u>	<u>£2,160,655</u>

The gross total of £2,870,888 includes fixed assets of subsidiary companies amounting to £1,208,856 which are stated at professional valuation at the dates of acquisition of those companies. Other fixed assets are stated at cost to the companies concerned. Depreciation includes £271,000 (1959 £334,000) provided prior to acquisition of the subsidiaries by the group.

Depreciation has not been provided for the year on £876,000 of freehold properties.

## 5. The interest in subsidiaries not consolidated comprises shares in a newly formed overseas company for which no accounts are yet available and the estimated amount receivable from another subsidiary in voluntary liquidation.

## 6. Commitments for capital expenditure of the group at 30th April, 1960, were approximately £403,000 (1959 £25,000).

## 7. Contingent liabilities at 30th April, 1960, were as follows:—

Company:	
Guarantees in respect of secured loans and other liabilities of subsidiaries and associated companies .. .. .	£1,343,546 (1959 £1,236,000)
Group:	
Bills discounted .. .. .	£98,745 (1959 £264,000)
Guarantees .. .. .	<u>£74,534 (1959 £27,000)</u>

## 8. Certain assets of the company have been charged as collateral security for the liability of a subsidiary in respect of a secured loan of £250,000.

## 9. Assets and liabilities in foreign currency have been expressed in sterling at the rates ruling at 30th April, 1960.

## CITY NOTES

HAVING enjoyed a week of New Year optimism, the stock-markets this past week have been more inclined to look at facts than conjure with fancies. At present the market is fairly evenly balanced between the inflationary aspects of the current round of wage and cost increases, and the deflationary factors of continued credit pressure and the spread of the car recession into other industries coupled, externally, with balance of payments and trade problems.

On top of that, there is the undoubted fact that capital demands must remain persistently heavy. Equally, interest rates must remain consistently high. The latter is one of the forces depressing the gilt-edged market—a depression which may still have some way to go despite the 'record lows' now reached.

Bank chairmen are commenting now on the problems of credit supply and there is a marked tendency among the banks to get away from the sacrosanct 30 per cent liquidity ratio. There is also a sign of official moves 'behind the scenes' towards the general overhaul of the monetary system as it affects the banks' ability to lend.

Capital and credit supply may well provide some of the most pressing problems this year and also some of the most persistently bearish influences in the stock-market.

## RATES AND PRICES

Closing prices, Wednesday, January 11th, 1961

Tax Reserve Certificates: interest rate (26.11.60) 3%

Bank Rate	
May 22, 1958	5½%
June 19, 1958	5%
Aug. 14, 1958	4½%
Nov. 20, 1958	4%
Jan. 21, 1960	5%
June 23, 1960	6%
Oct. 27, 1960	5½%
Dec. 8, 1960	5%

Treasury Bills	
Nov. 4	£4 17s 9.79d%
Nov. 11	£4 15s 5.46d%
Nov. 18	£4 13s 5.93d%
Nov. 25	£4 12s 9.25d%
Dec. 2	£4 12s 5.55d%
Dec. 9	£4 9s 7.83d%
Dec. 16	£4 7s 6.04d%
Dec. 23	£4 7s 1.45d%
Dec. 30	£4 6s 11.78d%
Jan. 6	£4 6s 10.38d%

Money Rates	
Day-to-day	3½-4½%
7 days	4½-4½%
Fine Trade Bills	
3 months	5½-6%
4 months	5½-6%
6 months	5½-6½%
Bank Bills	
2 months	4½-4½%
3 months	4½-4½%
4 months	4½-4½%
6 months	4½-4½%

Foreign Exchanges	
New York	2.80½-¾
Montreal	2.79½-¾
Amsterdam	10.58½-¾
Brussels	139.87½-¾
Copenhagen	19.34½-¾
Frankfurt	11.70½-¾
Milan	1742-½
Oslo	20.03½-¾
Paris	13.75½-¾
Zürich	12.08½-¾

Gilt-edged (revised List)	
Consols 4%	65½xd
Consols 2½%	43½
Conversion 5½% 1974	92½
Conversion 5% 1971	90½xd
Conversion 3½% 1969	84½
Conversion 3½%	58½
Exchequer 5½% 1966	101
Funding 5½% 82-84	94½xd
Funding 4% 60-90	87½
Funding 3½% 99-04	62½xd
Funding 3% 66-68	81½xd
Funding 3% 59-69	81½
Savings 3% 60-70	78½
Savings 3% 65-75	70½xd
Savings 2½% 64-67	82½
Treasury 5½% 2008-12	92½
Treasury 5% 86-89	87
Treasury 3½% 77-80	71½
Treasury 3½% 79-81	69½xd
Treasury 2½%	42½
Victory 4%	94½
War Loan 3½%	58½

## Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

## Practitioners' Fees

SIR, — I hope you will permit one who is not engaged in normal accountancy practice to join in this correspondence.

'Perplexed' (January 7th issue), considers fees of £63 or £105 grossly inadequate for thirty-two hours' work on a surtax direction case — and I agree with him. But what is the relevance of the client having been saved about £18,000 in taxation?

In some tax work — for instance, back duty — it is often known from the start that the client has more to pay, so the question of 'saving' does not really arise. Furthermore, although it is frequently possible for an accountant to calculate a hypothetical saving, I suggest such a course is highly undesirable.

In the first place it has been known for a client,

given an estimate of the additional tax and penalties which subsequently turned out to be grossly excessive, to go straight home and put his head in the gas oven. Secondly, the linking of such hypothetical saving with the amount of the accountant's fees can so easily lead to unethical practices.

A couple of years ago, at the request of an accountant client, I undertook to complete a small back duty case which he had started. After a few months I told him the case was almost settled, that it would cost the client about £400 in tax and penalties, that my fees on a normal time basis would be fifty to sixty guineas and that I was afraid the client might consider them excessive. The accountant laughed and said: 'You needn't worry about sixty guineas. I told the client originally she would probably have to pay the Revenue about £2,000, so if you can settle for about £400 she can't reasonably grudge you a fee of sixty guineas.'

The moral is obvious. I suggest it points to the wisdom of the Council of the Institute expressed in the words: '... it is usually inappropriate for a practising member to charge on a percentage basis.'

Yours faithfully,

London, E18.

TAX CONSULTANT.

### Information for the Revenue

SIR, — I should be very interested to receive the comments of the profession upon the treatment a client of mine is receiving from an Inspector. This client is a plastering contractor, and as is usual in the trade subcontracts a great amount of his work. The Inspector requested the names and addresses of those subcontractors whose amounts exceeded £100 during the company's financial year. This information was supplied and it transpired that a number of these subcontractors had left their addresses and could not be traced by the Revenue. The Inspector then asked the client to notify him immediately on taking on a new subcontractor, this my client did, with the result that the subcontractor suddenly stops working for my client. As it will be appreciated, the contracts upon which my client is engaged contain penalties, and he finds it very difficult to replace the subcontractor at once. I should be glad to hear whether readers have experienced this attitude of the Revenue, and whether this is applied to other trades where a similar type of subcontracting exists.

Yours faithfully,

FAIR PLAY.

### The Small Practitioner and Registration

SIR, — It is pleasing to note that Mr Collier's timely remarks (November 26th issue) have provoked some discussion. I consider that the adoption of the principles of his scheme would be very much in the national interest, and an excellent starting-point for dealing with some of the other difficulties mentioned by members during the past few months.

How ridiculous it is that the legal transfer of a £500 house would apparently warrant the services of a qualified man, but a company with a six-figure turnover can be audited by virtually anybody.

The weakest part of our taxation system, however, and the most likely source of evasion concerns the small sole trader or partnership. The Revenue are largely dependent on the accountancy profession for the correct assessment of profits in such cases, and must ultimately rely on the accountant's discretion. They would surely welcome any agreement with a united professional body on procedures which would assist the rightful assessment of all taxpayers, and reduce the detail work in their offices. They might even consider the distribution, in appropriate cases, of a leaflet explaining briefly the operation of Schedule D, the services performed by accountants, and a list of the firms practising in the taxpayer's locality.

Many persons, commencing in business for the first time, are completely unaware of the distinction between various kinds of accountants, and pass judgment on the firm of their choice purely on the basis of their liability. Most of us have met the client with a 'friend' who goes to a part-time clerk in a local factory, and reputedly benefits financially because such a person is prepared to take risks on his behalf, or does not take any steps to verify the

taxpayer's statements. The Revenue, quite rightly in present circumstances, treat accounts with the same respect whoever happens to submit them (even if it is the taxpayer himself). This, in my view, constitutes a most undesirable source of competition.

Finally, fees. There can never be a scale charge without regard to individual circumstances. But it does seem reasonable to impose upon the public people who have proved their competence to deal with their affairs. To suggest that registration could lead to the militance of trade unionism is an insult to individual members.

Yours sincerely,  
RICHARD STORER, A.C.A.

Coventry.

### New Business: First Accounting Period

SIR, — I would like to offer the following suggestions concerning the problem of basis periods and assessments on the new business referred to by 'Olton' (December 24th issue). I have ignored fractions of months.

<i>Year of Assessment</i>	<i>Basis Period</i>
1958-59	September 1st, 1958, to March 31st, 1959.
1959-60	September 1st, 1958, to August 31st, 1959.
1959-60	" "
1960-61	May 1st, 1959, to April 30th, 1960.
1961-62	May 1st, 1960, to April 30th, 1961.

The determination of the basis periods for 1960-61 and 1961-62 is a matter for the Commissioners of Inland Revenue to decide, but the above suggestion seems reasonable. Should it be desirable to claim, under Section 129, to have the assessments for 1959-60 and 1960-61 'reduced to actual' it will be necessary to offer proof of the circumstances reducing the profit during the period covered by the fiscal year 1959-60.

Capital allowances, including investment allowance if applicable, will have to be calculated in accordance with expenditure incurred in the relevant basis period.

Yours faithfully,  
J. D. S.

King's Langley, Herts.

### Specialism in the Profession

SIR, — Surely the letter from Mr R. S. Waldron, F.C.A. (December 31st issue), must be one of the strangest ever to have been found in your correspondence column. I believe it is right to say that before anyone can become a chartered accountant, he must have been articled for a period of five years (unless he has a university qualification). This is insistence upon practical experience of a very specific and circumscribed nature. Many persons have been unable to enter into that particular course of training. Others, holding the view that a training in commerce or industry is the best possible experience for one whose life is to be spent in these spheres of

activity, have consequently achieved membership of The Institute of Cost and Works Accountants.

It is difficult to understand why Mr Waldron regards the fellowship in management accounting offered by The Institute of Cost and Works Accountants as of no real value to chartered accountants so long as one of the conditions for fellowship is 'not less than three years' practical experience of cost accountancy'. Sauce for the goose, but not for the gander?

There must be, in addition, a large number of chartered accountants in industry to whom the condition of practical experience in cost accountancy would present no difficulty. One wonders what is the 'professional experience as practitioners' to which Mr Waldron has referred, that is thought to have some status and yet does not at least require this modicum of practical experience in cost accountancy.

Yours faithfully,  
STEPHEN F. RUSSELL.  
London, N14.

## Current Law

### Name and Arms

A TESTATOR devised specific property on certain trusts and provided that anyone other than his daughter (one of the beneficiaries) who became entitled to the yearly rents and profits and failed to take the name and arms of Inigo-Jones should forfeit his interest. He devised and bequeathed his residuary estate on trusts which required beneficiaries to take the name and arms of Neeld. In the case of the residue, females might take in remote contingencies, in which case the requirement as to name and arms applied to their husbands. In each case the name and arms had to be taken within one year of the beneficiary in question becoming actually entitled to rents and profits. More than one year after the testator's death no beneficiary had complied with the name and arms provisions. The testator's debts had not all been paid, and his widow had started proceedings under the Inheritance (Family Provision) Act, 1938.

In *Re Neeld, Carpenter v. Inigo-Jones and Others* ([1960] 2 All E.R. 33) Cross, J., held that, as beneficiaries were required to use the relevant surname 'on all occasions', this meant that they must do so on all occasions when a surname would ordinarily be used, and the words were sufficiently certain for the purposes of a condition subsequent of defeasance; and that, although it was remotely possible that a married woman's husband might be required to change his name on pain of his wife's benefits under the will being forfeited, the fact that the requirement might be invalid as contrary to public policy in so far as it purported to produce this result did not render it invalid in its application to male or spinster beneficiaries. The life-tenant of the residue had not forfeited his interest because the administration of the estate had not been completed and the residue was therefore not yet ascertained; accordingly, the year for compliance with the name and arms clause had not yet begun to run. In the case of the property specifically devised, on the other hand, the year began to run at the testator's death, even though the

widow's claim might require resort to this part of his estate; accordingly, the life-tenant's interest was forfeited.

### Estate Agent's Commission

IN *Ackroyd & Sons v. Hasan* ([1960] 2 All E.R. 254) the Court of Appeal (Sellers, Ormerod and Upjohn, L.JJ.) affirmed the decision of Winn, J. ([1959] 2 All E.R. 370), though Ormerod and Upjohn, L.JJ., were not wholly in agreement with the reasoning of the learned judge of first instance. The appellant estate agents, in confirming instructions from the respondent to sell her premises, wrote '... in the event of our introduction of a party prepared to enter into a contract to purchase on the above terms or on such other terms to which you may assent you will allow us commission. . .'. The respondent failed to make clear to the appellants that she must retain a part of the premises which she wished to sell. The appellants found purchasers who were prepared to enter into a binding contract, but the prospective sale went off when it emerged for the first time in the negotiations that the respondent insisted on retaining the part of the premises in question.

The Court of Appeal held that the appellants were not entitled to commission because, although they had introduced purchasers prepared to enter into a contract to purchase, the terms proposed were not terms to which the vendor was prepared to assent.

### Standard of Care at Common Law

THE plaintiff in *Kimpton v. The Steel Co of Wales Ltd* ([1960] 2 All E.R. 274) was injured by slipping on a set of three steel steps which he was descending in the defendant company's factory. The steps were three feet in height altogether and wedged into the platform to which they led. The treads were protected by studs. The depth of each step was only eight inches, the rises between the steps varied, and they were not protected by a handrail.

The Court of Appeal held that the defendant was not in breach of Section 25 (2) of the Factories Act, 1937, which requires staircases to be provided with handrails, because the steps did not constitute a 'staircase' within the meaning of that provision. 'Staircase' is not defined in the Factories Act and the steps in question did not constitute what would normally be regarded as a staircase; their lordships

saw no reason to attach to the word a connotation which it does not ordinarily bear. Edmund Davies, J., had held the defendant liable under Section 25 (2) and also at common law. So far as the defendant's liability at common law was concerned the Court of Appeal agreed with the learned judge. In considering whether the defendant company had failed in its common law duty to take reasonable care not to expose its servants

to unnecessary risk, his lordship had found that the steps constituted a potential and unnecessary danger and that something could and should have been done to minimize the risk which existed (e.g. by the provision of a handrail); accordingly, the defendant was guilty of negligence at common law. The Court of Appeal held that, on the facts, this finding was justified and dismissed the defendant's appeal.

## ELECTRONICS IN THE OFFICE

# Machine Accounting for Royalty Payments

THE rapid post-war growth in the market for long-playing records has brought special accounting and administrative problems to the record companies, in particular to the Decca Group, which is the largest record organization in the United Kingdom.

Accounting for copyright royalties has always been an intricate operation. With more than 18,000 different titles contained in its catalogues, Decca are now paying royalties to owners through more than 300 publishers and copyright societies throughout the world. Further complication lies in the popular records, many of which contain ten or a dozen different song titles. Each one of these could belong to a different copyright owner or in varying shares to a number of owners and even this is not the end of the story. Copyright ownership may be in different hands in different countries so that the ramifications arising from the issue of a single 'disc' can spread like the traditional grape-vine.

### Transfer to Data Processing

Until recent years, the whole accounting operation for copyright royalties was handled manually by the group, but the rapid growth in turnover began to outstrip the practical limitations of such a system and it became apparent that the only possible solution lay with modern electronic data-processing methods.

This conclusion, once reached, led to the installation of an IBM 604 electronic calculator and 441 accounting machine, with supporting equipment, including an IBM 420 accounting machine. This system has since been installed and is now taking over copyright royalties on records made and sold in the United Kingdom. The payment of artists' royalties to singers, instrumentalists, conductors and orchestras, totalling some 2,400 people is at present being transferred and preparatory work is in hand to bring in all export royalties at a later stage.

At present nearly three million punched cards are produced annually, including some 50,000 copyright master cards, to deal with home copyright alone. When export royalties are tackled almost 20,000 more master cards will be needed. The whole of the work is at present being transferred to the IBM system, after which royalty payments, amounting to some £2 million annually, will be processed automatically. Further planning is in hand to use the IBM 604/441 system to produce payroll, costing and various production and sales analyses after royalty accounting has been completely taken over.

Procedure commences with the receipt of sales dockets, white for home and blue for export sales. From these dockets sales record cards are punched and verified and are then listed on the 420 accounting machine. The listing is compared with the dockets as an initial manual check and the cards are then sorted into types of recording by a coded prefix to the catalogue number. A tabulation of the sorted cards is then run and its total is agreed with the total of the original listing. This procedure is followed daily. At the end of the first and second month of each three-month period, cards for each prefix are assembled and sorted into catalogue number order and a summary card showing sales to date by territory is produced.

At the end of the three-month accounting period, summary cards for the first and second months are assembled with the sales record cards for the third month on the IBM Collator. The sales pack is now ready to produce quarterly accounts on the 604/441 machines.

Copyright master cards and sales cards are passed simultaneously through the twin feeds of the 441 without merging and a statement is produced showing artists' sales, copyright sales and sales from the date of issue. During this processing, 'territorial sales to date' summary cards are produced and these are used to produce a royalty card for each copyright owner. The royalty cards then pass through the 604 which calculates the amount of royalty for the three-month period to be paid to each copyright owner. After the calculation run the royalty cards are used to print out accounts on either the 420 or 441 accounting machine.

### Accounts Up to Date

Automatic processing of copyright royalties at Decca has now reached a stage where comparison can be made with the former manual system. Before the installation of IBM equipment the delay in completing accounts had been up to five months and a serious danger existed of losing business as a result. Accounts are now up to date on home copyright and the delay is rapidly being overhauled on export business.

At present, no financial saving has emerged as the installation is not yet running at full capacity. Planning is in hand to transfer other accounting work to it, with a consequent saving in the present cost of the new work taken over.



# Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

## Henry Briggs, Son & Co Ltd v. C.I.R.

In the House of Lords - December 21st, 1960

(Before Lord REID, Lord TUCKER, Lord MORRIS OF BORTH-Y-GEST and Lord HODSON)

*Profits tax - Holding of investments or other property - Whether trade or business carried on by parent company - Whether subsidiary company holding investments or other property - Interim income from National Coal Board - Finance Act, 1937, Section 19 - Coal Industry Nationalization Act, 1946, Sections 19, 22.*

The appellant company was incorporated in 1865 to carry on the business of a colliery company. In 1939 the colliery business, and also those of two of its subsidiaries, were transferred to a new company, Briggs Collieries Ltd, which became a wholly-owned subsidiary of the appellant company. The latter continued to carry on its other businesses, though its largest receipt was its dividends from Briggs Collieries Ltd. Of the ten directors of the appellant company, five were directors of Briggs Collieries Ltd; and of the eight directors of the latter company, five were directors of the appellant company. Furthermore, the board of the appellant company exercised policy control over the board of Briggs Collieries Ltd.

On the nationalization of the colliery industry on December 31st, 1946, the colliery business of Briggs Collieries Ltd ceased, and the company went into liquidation on October 17th, 1952, when the compensation had been fully received. The appellant company went into liquidation on July 18th, 1951. In the meantime Briggs Collieries Ltd paid large dividends to the appellant company out of the interim income it received in respect of its compensation.

The Inland Revenue contended that the appellant company was assessable to profits tax in respect of these dividends on the ground that it was a property-holding company within Section 19 (4) of the Finance Act, 1937. It was contended on behalf of the appellant company that it was carrying on a colliery business down to December 31st, 1946; that it was, after December 31st, 1946, itself a property-holding company, and the dividends were franked investment income of the appellant company.

The Special Commissioners decided that the appellant company had been an investment-holding company since 1939; that Briggs Collieries Ltd was

not such a company; and that the dividends in question were not franked investment income.

*Held* (affirming the decision of the Court of Appeal): the Special Commissioners' decision was correct.

## Imperial Chemical Industries Ltd v. Caro

In the Court of Appeal - December 1st, 1960

(Before the MASTER OF THE ROLLS (Lord EVERSHED), Lord Justice UPJOHN and Lord Justice DONOVAN)

*Income tax - Profits tax - Double taxation relief - Overseas dividends in two fiscal years - Whether relief available for each year - Income Tax Act, 1952, Sections 133 (1) (c), 347, Sixteenth Schedule, paragraphs 2, 4, 5, 8, 9, 13 - Double Taxation Relief (Taxes on Income) (Australia) Order, 1947 (No. 806), Articles II, XII.*

The appellant held the majority of the shares in Imperial Chemical Industries of Australia and New Zealand Ltd (I.C.I. Australia), which was incorporated and controlled in Australia. Dividends on the new holding were first received in the year 1953-54, and the Case V assessment for that year and for 1954-55 had to be computed on the dividends payable in the two years respectively, and as no notice was given under Section 133 (1) (c), the Case V assessment for 1955-56 had to be computed on the income that arose in the preceding year, that is to say, also on the dividends received in 1954-55.

The dividends paid on the new holding during 1954-55 were, in sterling, £93,511. The Australian tax applicable to this sum was, in sterling, £64,836, made up of £16,307 charged directly on the £93,511 and £48,529 not charged directly or by deduction, and being the appropriate proportion under paragraph 9 of the Sixteenth Schedule to the Income Tax Act, 1952. The profits tax attributable to the £93,511 was £15,624, and relief for Australian tax had first to be given against that tax.

Pursuant to paragraph 8 (3) (b) of the Sixteenth Schedule, the Case V assessment for 1954-55 had to be increased to £142,040 by including the £48,529, the amount of Australian tax not charged directly or by deduction. For 1954-55, the amount of United Kingdom income tax on the £142,040 was £63,918, and for 1955-56 it was £60,367.

It was contended for the appellant that it was entitled to a credit in respect of the Australian tax against United Kingdom income tax for both 1954-55 and 1955-56. For the respondent it was contended that the credit could be given for the one year or the other, or up to a limit of £49,212 for both years. The Special Commissioners decided in favour of the respondent.

*Held* (affirming the judgment of Mr Justice Wynn-Parry): the Special Commissioners' decision was correct.

takings taken over by the appellant board in respect of excess profits tax shall vest in the board. The companies, whose undertakings were acquired by the board, had not been able to execute certain repairs during the war years, but these repairs were effected by the board after the vesting date.

The appellant board claimed to be entitled to relief under Section 37 of the Finance Act, 1946, in respect of its expenditure on the deferred repairs. On appeal to the Board of Referees it was decided

that the board was entitled to this relief, but on further appeal to the Lord Ordinary in Exchequer Causes the appeal of the respondents against this decision was allowed.

*Held* (affirming the decision of the Lord Ordinary): as the appellant board was not a person carrying on the trade or business of either of the two companies on December 31st, 1946, there was, in the circumstances of the case, no vesting of any rights in respect of excess profits tax in the board.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, January 4th, 1961, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr S. J. Pears, President, in the Chair; Mr P. F. Granger, Vice-President; Messrs E. Baldry, O.B.E., W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, G. T. E. Chamberlain, D. A. Clarke, J. Clayton, W. G. Densem, S. Dixon, W. W. Fea, Sir Harold Gillett, Bt., M.C., Messrs J. Godfrey, G. G. G. Gault, L. C. Hawkins, J. S. Heaton, D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Messrs J. A. Jackson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., C. U. Peat, M.C., F. E. Price, P. V. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs K. G. Shuttleworth, D. Steele, C. M. Strachan, O.B.E., J. E. Talbot, A. H. Walton, V. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright, Sir Richard Yeabsley, C.B.E.

### The Late Charles W. Boyce, C.B.E., F.C.A.

The Council received with very great regret notice of the death of Mr Charles William Boyce, C.B.E., F.C.A., Bradford, a member of the Council from 1935 until 1957 and President for the year 1951-52.

### Sir Harold Howitt

The Council received with very great regret the resignation of Sir Harold Gibson Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A., London, from membership of the Council. Sir Harold Howitt had been a member of the Council since 1931 and was President for the year 1945-46. During his long membership of the Council he rendered invaluable service as a member of many committees and sub-committees, often as chairman.

In paying a tribute to Sir Harold Howitt on his resignation from the Council, Sir Thomas Robson said:

"This is a sad moment for all of us, for none of us has sat in this Council without the presence, the wisdom and the forward-looking leadership which Sir Harold Howitt has always given us. His capacity for friendship is simply infinite, and he has exercised that capacity to the full for each and every member of the

Council. He has won a place in our individual affections and indeed, in our corporate feelings which cannot be filled by anybody else.

"The records of Sir Harold's services to the Institute are in the minutes of the innumerable committees on which he has served, often in the capacity of chairman; for as we here know so well whenever a new committee has had to be appointed to consider a particularly thorny problem which requires special qualities of imagination, judgment and breadth of vision, Sir Harold's name has been a natural choice for its membership. The record is also to be found in the numerous reports of occasions on which he has represented the Institute or the whole profession in putting our views before others, and in works of reference such as *Who's Who* which gives a long list of his distinguished public services which in peace and war have brought lustre to the Institute and elevated its standing in the eyes of Governments and business men and in its relations with other professional bodies both in this country and overseas.

"I cannot begin to appraise his true worth to us but I do know that we all love him and are grateful for his encouragement. I know what this has meant to me both inside and outside the Council; and that this must equally be true of all the others who sit or have sat in this place during the twenty-nine years Sir Harold has been a member of the Council. I am sad indeed that he has made this decision which we have before us today but I know his departure from the Council will in no way diminish his interest in the Institute's welfare and his friendship to us all. We must accept his request with our own great regret but with a fervent hope that he may long be spared to adorn and assist the profession for which he has done so much. (*Hear, hear.*)

"I now formally move that Sir Harold Howitt's resignation of membership of the Council be accepted and that appropriate record be made of our appreciation of his great services over many years. In expressing our thanks to him I should like to associate with him Lady Howitt who has shared his interest in the Institute and its work and has helped him to be what he is, a great friend to us all and the most distinguished accountant of our generation." (*Acclamation.*)

### Jersey Income Tax: Allowance of Institute Subscriptions

The Council received a report that the States Comptroller, Jersey, had approved the Institute for the purposes of Rule 2 of Case II of Schedule D of the Income Tax (Jersey) Law, 1937, as amended, so that the full amount of the annual subscription paid by a member who qualifies for relief under the Rule may, on application to the Comptroller, be allowed as a deduction from his emoluments assessable to Jersey income tax. All members whose registered addresses are in Jersey have been informed.

### Registration of Articles

The Secretary reported the registration of 276 articles of clerkship during the last month, the total number since January 1st, 1960, being 2,992.

### Admissions to Membership

The following were admitted to membership of the Institute:

Bilby, Colin Thomas, A.C.A., 14A Muswell Avenue, London, N10.  
Claff, Michael Norman, A.C.A., Southfields, London, NW4.  
Diggle, Oliver John, A.C.A., Orchard Grange, Old Warden, Biggleswade, Beds.  
Hurley, Edmund Adrian, A.C.A., 8 Moats Crescent, Thame, Oxon.  
Payne, Keith, A.C.A., 72 Bulwer Road, Clarendon Park, Leicester.  
Power, Michael John, A.C.A., 43 Oxford Street, Watford, Herts.  
§Silcock, Graham James Greer, A.S.A.A., with Alexander, MacLennan, Trundell & Co, P.O. Box 1968, Nairobi.  
Simms, Richard Henry, A.C.A., c/o Dunlop Rim & Wheel Co Ltd, Foleshill, Coventry.  
Thomas, Colin Patrick, A.C.A., 30 Mysydd Road, Landore, Swansea.  
§Walters, Peter John, A.S.A.A., 'Kings Lynn', Wendy Avenue, Craighall Park, Roadburg, Transvaal, South Africa.

### Fellowship

The Council acceded to applications from twenty associates to become fellows under clause 6 of the supplemental Royal Charter.

Eight hundred and ninety-six associates became fellows on January 1st, 1961, in accordance with clause 6 of the supplemental Royal Charter.

### F.S.A.A.

The Council acceded to one application from an incorporated accountant member A.S.A.A. to use

§ Means 'incorporated accountant member'.

a indicates the year of admission to the Institute.

aS indicates the year of admission to the Society of Incorporated Accountants.

Firms not marked † or \* are composed wholly of members of the Institute.

† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

the letters F.S.A.A. under clause 4 (b) of the Scheme of Integration.

Sixty-three incorporated accountant members A.S.A.A. became F.S.A.A. on January 1st, 1961, in accordance with clause 7 of the supplemental Royal Charter.

### Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Barlow, Ronald Claude, A.C.A., a1960; Alan York, Barlow & Co, 5A Southbourne Grove, West Southbourne, Bournemouth.  
Barnes, David John, A.C.A., a1958; H. L. Barnes & Son, Martin's Bank Chambers, Stratford-on-Avon.  
Buckley, Derek, A.C.A., a1960; James Todd & Adams, Barclays Bank Buildings, 12A Piccadilly, Manchester, 2.  
Byrne, Aubrey Harold, A.C.A., a1952; 33 Beverley Gardens, Wembley Park, Middlesex.  
Clinkard, Charles Colin, B.A., A.C.A., a1956; 'Strathearne', Albion Terrace, Saltburn-by-Sea.  
Cooke, Victor Wallis, A.C.A., aS1955; †Chalmers, Wade & Co, 2 Royal Terrace, Weymouth.  
Cox, Peter Robert, A.C.A., a1959; 216 Dysart Road, Grant-ham, Lincs.  
Daniels, Michael, A.C.A., a1960; Michael Daniels & Co, 13 Wimpole Street, London, W1, and at Edgware.  
Davies, Hugh Anthony, A.C.A., a1960; \*Morgan Davies, Phelps & Co, 29 Great George Street, Bristol, 1.  
Davis, David Thomas Audiore, A.C.A., a1960; 10 Wake-mans, Upper Basildon, Reading, Berks.  
Feugill, Dudley Marshall, F.C.A., aS1935; 1 Oakwood Avenue, Birkenshaw, Bradford.  
Fowles, William James, A.C.A., aS1954; Hawkins & Wale, 10 Longport Street, Canterbury.  
Kennedy, James English, A.C.A., a1958; Richd. Ormond, Son & Dunn, 24 Windsor Terrace, Jesmond, Newcastle upon Tyne, 2.  
Lewis, Peter Howard, A.C.A., a1960; Oakes & Lewis, Prudential Buildings, 36 Dale Street, Liverpool, 2.  
Miller, Michael Evensen, A.C.A., a1954; Gilbert Shepherd, Owen & Co, 22 St Andrew's Crescent, Cardiff.  
Oakes, Thomas, F.C.A., a1950; Oakes & Lewis, Prudential Buildings, 36 Dale Street, Liverpool, 2.  
Paiba, Michael David, A.C.A., a1957; Michael D. Paiba & Co, 89 Brent Way, Finchley, London, N3.  
Powell, Nigel Ferriday, A.C.A., a1958; Wilson, Powell & Co, 48-50 Mosley Street, Manchester, 2.  
Room, Edward Ellison, F.C.A., aS1939; Mortimer & Room, Sutex House, 6 Lansdowne Place, Bradford, 5, and at Leeds.  
Rufus, Ernest Edward William, F.C.A., aS1944; 15 The Risings, Walthamstow, London, E17.  
Selwyn, Jeffrey Michael, A.C.A., a1960; J. M. Selwyn & Co, 25 Vivian Way, London, W2.  
Stuttard, Derek A.C.A., a1951; Thornton & Co, 54 Castle Street, Liverpool, 2, and at Wallasey.  
Sussman, Harold Sidney, A.C.A., a1960; Warner, Bearman & Co, 16 Wimpole Street, Cavendish Square, London, W1.  
Wardle, John, A.C.A., a1959; \*A. G. Goring & Co, Mount Chambers, 51A Bath Street, Ilkeston, Derbyshire.  
Weinberg, Gordon George, A.C.A., a1960; 16 Martley Drive, Ilford, Essex.

### Admission to Membership under the Scheme of Integration

The Council acceded to applications from two members of The Society of Incorporated Accountants for admission to membership of the Institute pursuant to the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS ANNAN, DEXTER & Co, announce that as from January 2nd, 1961, they have taken into partnership Mr GERALD PATRICK TOWNEND, M.B.E., M.A., F.C.A., who has been a member of their staff for several years after having served his articles with them.

MESSRS APPLEBY & WOOD, Chartered Accountants, of Lancashire House, 47 Peter Street, Manchester, 2, and Victoria House, Southampton Row, London, WC1, announce that Mr PETER ARTHUR LEGG, A.C.A., who has been a member of the staff for many years, has been admitted as a partner in the firm as from January 1st, 1961.

MESSRS BOURNER, BULLOCK, ANDREW & Co, Chartered Accountants, of Bush Lane House, Cannon Street, London, EC4, announce that as from January 1st, 1961, they have taken into partnership Mr KENNETH WILLIAM HAMMOND, A.C.A., who has been a member of their staff for the past ten years.

MESSRS BOYCE, WELCH & Co, of 3 Piccadilly, Bradford, 1, regret to announce the sudden death, on December 17th, 1960, of Mr CHARLES WILLIAM BOYCE, C.B.E., their senior partner and one of the founder members of the firm. The practice will be carried on by the remaining partners at the same address. [Obituary notices appeared in *The Accountant* of December 24th and 31st - Ed.]

MESSRS E. T. BROWN & Co announce that Mr F. BAKER, A.A.C.C.A., became a partner in the firm as from January 1st, 1961, and on January 16th, the office will move to Gestetner House, 67 Darlington Street, Wolverhampton.

MESSRS J. CASTLEMAN & Co, Chartered Accountants, of 79 King Street, Leicester, announce that as from January 1st, they have admitted into partnership Mr N. L. BROWN, F.C.A., and Mr M. F. POOL, A.C.A., who has been with the firm for some time. The style of the firm remains unchanged.

MESSRS W. CLARIDGE & Co, Chartered Accountants, of 16 Leeds Road, Bradford, 1, announce that, with effect from January 1st, 1961, their practice will be amalgamated with that of Messrs W. A. TURNER & Co, Chartered Accountants, of Martins Bank Chambers, 25 Sunbridge Road, Bradford, 1. The practice will thereafter be conducted under the style of CLARIDGE, TURNER & Co, by the present principals of both firms, namely, Messrs ALAN H. HAINSWORTH, F.C.A., GEOFFREY R. TURNER, M.A., F.C.A., and WILLIAM G. HARKER, M.B.E., F.C.A.

MESSRS EYTON & EYTON, Chartered Accountants, of County Chambers, 52 Westgate Road, Newcastle

upon Tyne, announce that from January 1st, 1961, Mr JOHN KEITH SOWERBY, A.C.A., has been admitted as a partner. The style of the firm remains unchanged.

MESSRS GAINSFORD, ELLIOTT & Co, Chartered Accountants, announce that their address is now Walton House, 1, Newman Street, Oxford Street, London, W1. Telephone: Museum 6965-6.

MR W. RONALD MALVERN, F.C.A., practising under the style of MALVERN & Co, Chartered Accountants, at 57 George Street, Portman Square, London, W1, announces that as from January 1st, 1961, he has taken into partnership Mr RAYMOND KEENE, A.C.A., who has been associated with him for the past ten years. The style of the firm remains unchanged.

MESSRS PEAT, MARWICK, MITCHELL & Co announce that they have formed a Natal firm which will practise at Natal Building Society Building, 306 Smith Street, Durban. P.O. Box 1510. The partners include Messrs L. E. PURNELL, R. H. DICKSON, N. DOWNES and D. HEMPHILL (all resident in Durban), with Messrs G. W. COX and T. C. S. DAVID (resident in Johannesburg).

MESSRS SAFFERY, SONS & Co, Chartered Accountants, of 200 Gresham House, Old Broad Street, London, EC2, announce that Mr P. J. HAWKER, F.C.A., and Mr B. A. KEMP, A.C.A., who have been on the staff of the firm for some years, were admitted to partnership on January 1st, 1961. The style of the firm remains unchanged.

MESSRS SINGLETON, FABIAN & Co, Chartered Accountants, of 30 Southampton Buildings, Chancery Lane, London, WC2, and 72 Moorgate, London, EC2, announce with great regret the death of Mr P. J. CHAPLIN, F.C.A., a partner in the Holborn office.

MESSRS SINGLETON, FABIAN & Co, Chartered Accountants, of 72 Moorgate, London, EC2, and of 30 Southampton Buildings, Chancery Lane, London, WC2, announce that Mr JOHN ROWLAND PAUL, M.A., A.C.A., has been admitted to partnership from January 1st, 1961.

## Appointments

Mr H. J. Binder, F.C.A., has joined the board of Carrongrove Paper Co Ltd.

Mr Richard S. Davenport, F.C.A., has been appointed managing director of Tricity Finance Corporation Ltd.

Mr A. F. Jopling, F.C.A., and Mr A. S. Kennedy, C.A., have been appointed to the board of Hawker Siddeley Aviation Ltd.

# JOHN FOORD & COMPANY

56 VICTORIA STREET, LONDON, SW1

Telephone: Victoria 2002 (3 lines)

## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

In response to the tribute by Sir Thomas Robson, Sir Harold Howitt said:

'Mr President, gentlemen, I am completely taken aback by what Sir Thomas has said. At the end of a long and heavy agenda where we have discussed very tricky and detailed matters I am not going to take time in saying much in reply. In fact I have prepared nothing in the way of a formal reply. If, therefore, I am quite short I hope no one will take that as a measure of my feelings on this matter and a measure of my gratitude of what has been said on your behalf and the way you have accepted it.

I gave my reasons at the last Council meeting as to why I was quite sure that the time had arrived when I ought to retire. I will not, therefore, repeat them now. I am, however, quite sure that I am right, sad as I am that I have had to reach that conclusion. I should be very much less than human if I did not admit that what Sir Thomas has said and the way you have received it has touched me very much indeed and I do appreciate it.

'The work on this Council has been a very major occupation to me over the last thirty years. I think, probably, it is one's largest single commitment and I am sure that the same applies to many other members on the Council today, and I doubt sometimes whether the members of the Institute in general do quite appreciate the time which is taken by Council work when one really gets into the swing of things. The work today, of course, is very much more strenuous - thinking it over in retrospect - than it was thirty years ago. When I joined the Council, Lancelot Hill was in your chair, Mr President, and Mr A. O. Miles was sitting in my seat - "Algy" as he was called by his contemporaries, but certainly not by me. (Laughter.) He was followed by Lord Plender, and I am sure that those two were more awe-inspiring people - terrifying in some ways - than more recent people have been. I am sure the same will apply when Sir Thomas takes my place. He has a heart of gold and friendship which very few can emulate.

'In those days work on the Council was very different. It has been said before that when you joined the Council in those days you did not speak for a very long time. I am glad those days have passed in that respect. The work on the Council has been extremely happy as far as I am concerned; it has also kept us extremely busy.

'The chief thing, I think, apart from the work, is the host of friends that I have been privileged to make whilst on the Council, not only among members of the Council whose friendship I have enjoyed immensely, but also among vast numbers of contacts both at home and overseas, membership of this Council gives one the privilege of enjoying their friendship. I do not want to dwell on the past any more. I would far rather think of the future and I hope it is not impertinent to say that I am quite sure that the present team on the Council compares most favourably with any in the past. I am absolutely certain, in leaving the Council, that the future of the Institute is, if I may presume to say so, in very safe keeping in the hands of the present members of the Council. There are enormous new problems coming along. There seems no limit to them. I will not detail them all, but you have education and training, technical problems and that kind of thing.

'I will watch all the deliberations, decisions and work of this Council, as an "Old Boy" from the touchlines,

with pride in all that you are doing and perhaps occasionally, I will be allowed to have lunch with you, and in any event, if I can ever help from the outside it will be always a joy to try.' (*Acclamation.*)

### Public Relations Committee

The Secretary reported the appointment of Sir Harold Gillett, M.C., F.C.A., as Chairman of the Public Relations Committee.

### Refusal to Register Articles

A person who admitted that he had altered a general certificate of education with the object of obtaining exemption from the Preliminary examination has been informed that no articles to which he is a party will be registered.

### Articles and Examinations

The following applications under various bye-laws relating to articles and examinations have been granted or refused during the six months ended December 31st, 1960:

	Granted	Refused
<i>Bye-law 51</i> : Waiver of prescribed provisions in articles .. .. .	1	—
<i>Bye-law 57</i> : Permission to follow another business or occupation while under articles to the limited extent specified in the application .. .. .	6	—
<i>Bye-law 58 (c)</i> : Permission to spend up to six months in an industrial, commercial or other suitable organization during article service .. .. .	12	1
<i>Bye-law 79</i> : Exemption from the Preliminary examination by virtue of age and experience in a member's office ..	18	—
<i>Bye-law 61</i> : Reduction in service under articles .. .. .	23	2
<i>Bye-law 85 (b)</i> : Exemption from the Intermediate examination .. .. .	9	7
<i>Bye-law 81</i> : Permission to sit the Intermediate examination earlier than normally eligible .. .. .	6	2
<i>Bye-law 86 (a)</i> : Permission to sit the Final examination, after completion of article service, earlier than normally eligible .. .. .	5	3

### Auditors of Building Societies

In order to remove doubts the Council has obtained confirmation from the Chief Registrar of Friendly Societies that he will not take objection to the appointment of a firm of accountants (all the partners of which are eligible under the Building Societies Act, 1960) as auditors of a building society, as distinct from the appointment of individuals.

### The P. D. Leake Trust

The Council approved for publication the accounts of the P. D. Leake Trust for the year to October 31st, 1960, a report on the administration of the trust and a report of the P. D. Leake Committee. A booklet containing these reports and accounts may be obtained without charge on application to the offices of the Institute by any interested person. (It is expected that copies will be available by the end of January 1961.)

### Jersey Income Tax: Allowance of Institute Subscriptions

The Council received a report that the States Comptroller, Jersey, had approved the Institute for the purposes of Rule 2 of Case II of Schedule D of the Income Tax (Jersey) Law, 1937, as amended, so that the full amount of the annual subscription paid by a member who qualifies for relief under the Rule may, on application to the Comptroller, be allowed as a deduction from his emoluments assessable to Jersey income tax. All members whose registered addresses are in Jersey have been informed.

### Registration of Articles

The Secretary reported the registration of 276 articles of clerkship during the last month, the total number since January 1st, 1960, being 2,992.

### Admissions to Membership

The following were admitted to membership of the Institute:

- Bilby, Colin Thomas, A.C.A., 14A Muswell Avenue, London, N10.  
 Claff, Michael Norman, A.C.A., Southfields, London, NW4.  
 Diggle, Oliver John, A.C.A., Orchard Grange, Old Warden, Biggleswade, Beds.  
 Hurley, Edmund Adrian, A.C.A., 8 Moats Crescent, Thame, Oxon.  
 Payne, Keith, A.C.A., 72 Bulwer Road, Clarendon Park, Leicester.  
 Power, Michael John, A.C.A., 43 Oxford Street, Watford, Herts.  
 §Silcock, Graham James Greer, A.S.A.A., with Alexander, MacLennan, Trundell & Co, P.O. Box 1968, Nairobi.  
 Simms, Richard Henry, A.C.A., c/o Dunlop Rim & Wheel Co Ltd, Foleshill, Coventry.  
 Thomas, Colin Patrick, A.C.A., 30 Mysydd Road, Landore, Swansea.  
 §Walters, Peter John, A.S.A.A., 'Kings Lynn', Wendy Avenue, Craighall Park, Roadburg, Transvaal, South Africa.

### Fellowship

The Council acceded to applications from twenty associates to become fellows under clause 6 of the supplemental Royal Charter.

Eight hundred and ninety-six associates became fellows on January 1st, 1961, in accordance with clause 6 of the supplemental Royal Charter.

### F.S.A.A.

The Council acceded to one application from an incorporated accountant member A.S.A.A. to use

§ Means 'incorporated accountant member'.

a indicates the year of admission to the Institute.

aS indicates the year of admission to the Society of Incorporated Accountants.

Firms not marked † or \* are composed wholly of members of the Institute.

† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

the letters F.S.A.A. under clause 4 (b) of the Scheme of Integration.

Sixty-three incorporated accountant members A.S.A.A. became F.S.A.A. on January 1st, 1961, in accordance with clause 7 of the supplemental Royal Charter.

### Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

- Barlow, Ronald Claude, A.C.A., a1960; Alan York, Barlow & Co, 5A Southbourne Grove, West Southbourne, Bournemouth.  
 Barnes, David John, A.C.A., a1958; H. L. Barnes & Son, Martin's Bank Chambers, Stratford-on-Avon.  
 Buckley, Derek, A.C.A., a1960; James Todd & Adams, Barclays Bank Buildings, 12A Piccadilly, Manchester, 2.  
 Byrne, Aubrey Harold, A.C.A., a1952; 33 Beverley Gardens, Wembley Park, Middlesex.  
 Clinkard, Charles Colin, B.A., A.C.A., a1956; 'Strathearne', Albion Terrace, Saltburn-by-Sea.  
 Cooke, Victor Wallis, A.C.A., aS1955; †Chalmers, Wade & Co, 2 Royal Terrace, Weymouth.  
 Cox, Peter Robert, A.C.A., a1959; 216 Dysart Road, Grant-ham, Lincs.  
 Daniels, Michael, A.C.A., a1960; Michael Daniels & Co, 13 Wimpole Street, London, W1, and at Edgware.  
 Davies, Hugh Anthony, A.C.A., a1960; \*Morgan Davies, Phelps & Co, 29 Great George Street, Bristol, 1.  
 Davis, David Thomas Audiore, A.C.A., a1960; 10 Wake-mans, Upper Basildon, Reading, Berks.  
 Feugill, Dudley Marshall, F.C.A., aS1935; 1 Oakwood Avenue, Birkenshaw, Bradford.  
 Fowles, William James, A.C.A., aS1954; Hawkins & Wale, 10 Longport Street, Canterbury.  
 Kennedy, James English, A.C.A., a1958; Richd. Ormond, Son & Dunn, 24 Windsor Terrace, Jesmond, Newcastle upon Tyne, 2.  
 Lewis, Peter Howard, A.C.A., a1960; Oakes & Lewis, Prudential Buildings, 36 Dale Street, Liverpool, 2.  
 Miller, Michael Evensen, A.C.A., a1954; Gilbert Shepherd, Owen & Co, 22 St Andrew's Crescent, Cardiff.  
 Oakes, Thomas, F.C.A., a1950; Oakes & Lewis, Prudential Buildings, 36 Dale Street, Liverpool, 2.  
 Paiba, Michael David, A.C.A., a1957; Michael D. Paiba & Co, 89 Brent Way, Finchley, London, N3.  
 Powell, Nigel Ferriday, A.C.A., a1958; Wilson, Powell & Co, 48-50 Mosley Street, Manchester, 2.  
 Room, Edward Ellison, F.C.A., aS1939; Mortimer & Room, Sutex House, 6 Lansdowne Place, Bradford, 5, and at Leeds.  
 Rufus, Ernest Edward William, F.C.A., aS1944; 15 The Risings, Walthamstow, London, E17.  
 Selwyn, Jeffrey Michael, A.C.A., a1960; J. M. Selwyn & Co, 25 Vivian Way, London, W2.  
 Stutter, Derek A.C.A., a1951; Thornton & Co, 54 Castle Street, Liverpool, 2, and at Wallasey.  
 Sussman, Harold Sidney, A.C.A., a1960; Warner, Bearman & Co, 16 Wimpole Street, Cavendish Square, London, W1.  
 Wardle, John, A.C.A., a1959; \*A. G. Goring & Co, Mount Chambers, 51A Bath Street, Ilkeston, Derbyshire.  
 Weinberg, Gordon George, A.C.A., a1960; 16 Martley Drive, Ilford, Essex.

### Admission to Membership under the Scheme of Integration

The Council acceded to applications from two members of The Society of Incorporated Accountants for admission to membership of the Institute pursuant to the scheme of integration referred to in clause 34 of the supplemental Royal Charter.



**Re-admission to Membership**

It was reported to the Council that the following re-admission, made at the Council meeting on December 7th, 1960, subject to payment of the amount required, had become effective:

Pearce, Leonard Charles, A.C.A., 21 Woodville Road, Golders Green, London, NW12.

**Change of Name**

The Secretary reported that the following change of name has been made in the Institute's records:

Taylor, Dennis Walter Mullin, to Taylor, Dennis Walter.

**Resignation**

The Council accepted the resignation from membership of the Institute of:

Hogwood, Vernon William, B.COM., F.S.A.A., c/o Metro-

politan Water Board, New River Head, Rosebery Avenue, London, EC1.

**Deaths of Members**

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Kenneth Charles Allen, A.C.A., Hove.  
 „ Harold Vivian Barham, F.C.A., London.  
 „ Albert Edward Barton, O.B.E., F.C.A., West Kirby.  
 „ Samuel Gordon Brindley, F.C.A., Paris.  
 „ Percy John Chaplin, F.C.A., London.  
 „ Laurence Chrimes, M.B.E., T.D., F.C.A., London.  
 „ Thomas Nelson Cowin, F.C.A., Liverpool.  
 „ William Harling, F.C.A., Blackpool.  
 „ Philip Harris, F.C.A., London.  
 „ Edward King Hill, F.C.A., Birmingham.  
 „ Edgar Bruce Langford, F.C.A., Portsmouth.  
 „ Anthony Desmond Pyne, A.C.A., Reading.  
 „ Robert Frederick Sheppard, V.R.D., F.C.A., London.  
 „ Doylah Tanfield, F.C.A., Dudley.  
 „ Alton Ward, F.C.A., Bradford.

**FINDING AND DECISION OF THE APPEAL COMMITTEE**

*Finding and Decision of the Appeal Committee of the Council of the Institute appointed pursuant to bye-law 108 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on December 7th, 1960.*

The Appeal Committee heard an appeal against the Finding and Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that William Marshall, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that (a) being the liquidator of a limited company he failed within a reasonable time or at all during the period from March 1958 to March 1960 to reply or take any action in response to numerous inquiries and requests made to him by two firms of chartered accountants on behalf of one of the creditors of that company; (b) he failed to reply to three letters written to him by an Under-Secretary of the Institute

dated respectively May 11th, 1960, June 10th, 1960, and June 17th, 1960, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee affirmed the Finding of the Disciplinary Committee that the formal complaint against William Marshall, F.C.A., had been proved under both headings and the Committee affirmed the Decision of the Disciplinary Committee that William Marshall, F.C.A., of 46 Bedford Row, London, WC1, be excluded from membership of the Institute.

[We are asked to state that the William Marshall referred to above is not the William Marshall, F.C.A., who is with Messrs Robson, Morrow & Co, of 59 New Cavendish Street, London, W1. - Editor.]

**MEMBERS' LIBRARY**

*The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:*

- Accountants' Cost Handbook; edited by R. I. Dickey: second edition. New York. 1960. (Ronald Press, 125s.)  
 Butterworths Income Tax Digest. (Butterworth & Co: edited by H. W. Clements and A. S. Diamond: revised by P. F. Skottoune.) 1960. (Butterworth, 65s.)  
 Cases in Public Accounting Practice. (Arthur Andersen & Co.) Chicago. From volume 1, 1960. (Presented by Arthur Andersen & Co.)  
 Charlesworth on Negligence; by J. Charlesworth: third edition. 1956. Fourth cumulative supplement. 1960. (Sweet & Maxwell, 7s 6d.)  
 Church Accounts; by F. V. Slade, A.C.A. 1960. (Gee, presented, 25s.)  
 Company Assets and Income in 1957. (Board of Trade.) 1960. (H.M.S.O., 7s 6d.)  
 The Diplomacy of Economic Development; by E. R. Black. Cambridge. Mass. 1960. (Harvard University Press, 24s.)  
 The Evolution of Modern Industry; by F. R. J. Jervis. 1960. (Harrap, 18s.)  
 A Guide to the Professional Conduct and Etiquette of Solicitors; by Sir T. Lund. 1960. (Law Society, 25s.)  
 Interest Rates and Asset Prices; by R. Turvey. 1960. (George Allen & Unwin, 12s.)  
 McMurtry's Management Clinic; by R. N. McMurtry. New York. 1960. (Business Publications, 35s.)  
 Management Accounting and Profitability: making the accounts department a productive overhead; by C. Bostock, F.C.A. 1960. (Presented by the author, Pitman, 18s.)  
 Money Under Review; by W. M. Dacey. 1960. (Hutchinson, 25s.)  
 Overseas Trade Corporations; by D. R. Stanford. 1958. Supplementary matter . . . 1959. (Sweet & Maxwell, 2s 6d.)  
 Parish Administration; by C. Arnold-Baker. 1958. Supplement 1960. (Methuen, 7s 6d.)  
 Paterson's Licensing Acts; by J. Paterson: sixty-ninth edition by F. M. Smith. 1961. (Butterworth, 75s.)

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS ANNAN, DEXTER & Co, announce that as from January 2nd, 1961, they have taken into partnership Mr GERALD PATRICK TOWNEND, M.B.E., M.A., F.C.A., who has been a member of their staff for several years after having served his articles with them.

MESSRS APPLEBY & WOOD, Chartered Accountants, of Lancashire House, 47 Peter Street, Manchester, 2, and Victoria House, Southampton Row, London, WC1, announce that Mr PETER ARTHUR LEGG, A.C.A., who has been a member of the staff for many years, has been admitted as a partner in the firm as from January 1st, 1961.

MESSRS BOURNER, BULLOCK, ANDREW & Co, Chartered Accountants, of Bush Lane House, Cannon Street, London, EC4, announce that as from January 1st, 1961, they have taken into partnership Mr KENNETH WILLIAM HAMMOND, A.C.A., who has been a member of their staff for the past ten years.

MESSRS BOYCE, WELCH & Co, of 3 Piccadilly, Bradford, 1, regret to announce the sudden death, on December 17th, 1960, of Mr CHARLES WILLIAM BOYCE, C.B.E., their senior partner and one of the founder members of the firm. The practice will be carried on by the remaining partners at the same address. [Obituary notices appeared in *The Accountant* of December 24th and 31st - Ed.]

MESSRS E. T. BROWN & Co announce that Mr F. BAKER, A.A.C.C.A., became a partner in the firm as from January 1st, 1961, and on January 16th, the office will move to Gestetner House, 67 Darlington Street, Wolverhampton.

MESSRS J. CASTLEMAN & Co, Chartered Accountants, of 79 King Street, Leicester, announce that as from January 1st, they have admitted into partnership Mr N. L. BROWN, F.C.A., and Mr M. F. POOL, A.C.A., who has been with the firm for some time. The style of the firm remains unchanged.

MESSRS W. CLARIDGE & Co, Chartered Accountants, of 16 Leeds Road, Bradford, 1, announce that, with effect from January 1st, 1961, their practice will be amalgamated with that of Messrs W. A. TURNER & Co, Chartered Accountants, of Martins Bank Chambers, 25 Sunbridge Road, Bradford, 1. The practice will thereafter be conducted under the style of CLARIDGE, TURNER & Co, by the present principals of both firms, namely, Messrs ALAN H. HAINSWORTH, F.C.A., GEOFFREY R. TURNER, M.A., F.C.A., and WILLIAM G. HARKER, M.B.E., F.C.A.

MESSRS EYTON & EYTON, Chartered Accountants, of County Chambers, 52 Westgate Road, Newcastle

upon Tyne, announce that from January 1st, 1961, Mr JOHN KEITH SOWERBY, A.C.A., has been admitted as a partner. The style of the firm remains unchanged.

MESSRS GAINSFORD, ELLIOTT & Co, Chartered Accountants, announce that their address is now Walton House, 1, Newman Street, Oxford Street, London, W1. Telephone: Museum 6965-6.

Mr W. RONALD MALVERN, F.C.A., practising under the style of MALVERN & Co, Chartered Accountants, at 57 George Street, Portman Square, London, W1, announces that as from January 1st, 1961, he has taken into partnership Mr RAYMOND KEENE, A.C.A., who has been associated with him for the past ten years. The style of the firm remains unchanged.

MESSRS PEAT, MARWICK, MITCHELL & Co announce that they have formed a Natal firm which will practise at Natal Building Society Building, 306 Smith Street, Durban. P.O. Box 1510. The partners include Messrs L. E. PURNELL, R. H. DICKSON, N. DOWNES and D. HEMPHILL (all resident in Durban), with Messrs G. W. COX and T. C. S. DAVID (resident in Johannesburg).

MESSRS SAFFERY, SONS & Co, Chartered Accountants, of 200 Gresham House, Old Broad Street, London, EC2, announce that Mr P. J. HAWKER, F.C.A., and Mr B. A. KEMP, A.C.A., who have been on the staff of the firm for some years, were admitted to partnership on January 1st, 1961. The style of the firm remains unchanged.

MESSRS SINGLETON, FABIAN & Co, Chartered Accountants, of 30 Southampton Buildings, Chancery Lane, London, WC2, and 72 Moorgate, London, EC2, announce with great regret the death of Mr P. J. CHAPLIN, F.C.A., a partner in the Holborn office.

MESSRS SINGLETON, FABIAN & Co, Chartered Accountants, of 72 Moorgate, London, EC2, and of 30 Southampton Buildings, Chancery Lane, London, WC2, announce that Mr JOHN ROWLAND PAUL, M.A., A.C.A., has been admitted to partnership from January 1st, 1961.

## Appointments

Mr H. J. Binder, F.C.A., has joined the board of Carrongrove Paper Co Ltd.

Mr Richard S. Davenport, F.C.A., has been appointed managing director of Tricity Finance Corporation Ltd.

Mr A. F. Jopling, F.C.A., and Mr A. S. Kennedy, C.A., have been appointed to the board of Hawker Siddeley Aviation Ltd.

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# THE ACCOUNTANT

ESTABLISHED 1874

JANUARY 21ST, 1961

VOL. CXLIV. NO. 4492



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## Banking for Beginners

IT has long been a tradition that the Bank of England's operations should be shrouded in mystery. An outstanding memory of our youth is the mysterious 'Professor Skinner' who never appeared on the public stage at the same time as MR MONTAGU NORMAN. Even now the money market reports in the Press refer to 'back-door' operations, a term but little removed from the 'hidden hand' of the nineteen-thirties.

The Radcliffe Committee considered that such secrecy did harm to the standing of the Bank as a national institution and recommended the publication of fuller financial information for the informed commentator, as well as a more effective approach to the problem of 'explaining to the public what we are about'. The Bank's report for the year ended February 1960 represented a first step on its part to meeting these requests. As such it was welcomed in these columns, with the hope that the then promised quarterly bulletin 'will provide a higher level of critical commentary on events and more detailed explanations of banking policies'.<sup>1</sup> The first issue of the bulletin has now appeared and, while its potential value is apparent, it provides clear evidence of the old dictum that traditions die hard.

About one-half of the sixty-five page report is devoted to statistics, some of which continue the series first given in the Radcliffe Report. For the rest, MR COBBOLD's address at the Mansion House last November is reproduced together with a one-page explanation of the 'special deposit' system and a rather more useful note on the statistical data relating to private savings. The longest essay forms a review of economic and financial events in Britain since last February; normally this review will cover just the three months between bulletins. Probably the most significant point to emerge is the Bank's view that the status of sterling as an international currency renders the imposition of restrictions on its use impracticable. If the CHANCELLOR shares this view, an internal adjustment of the economy becomes unavoidable. As with the annual report, there is virtually no comment or discussion of the policies and their effectiveness; and as for looking forward, there is not the least hint of the way the official mind is working.

According to MR COBBOLD, 'the Bank is first and foremost a bank with a duty to work in the service and to earn the confidence, not only of the Government of the day, but also of the business community at whose centre it stands'. The sentiments are impeccable, but one may hope that they will be implemented more effectively in the second and subsequent issues of the new bulletin.

<sup>1</sup> The Accountant, July 23rd, 1960, at page 102.

## The Association and Tax Reform

THE memorandum submitted by the Council of The Association of Certified and Corporate Accountants to THE CHANCELLOR OF THE EXCHEQUER, although expressed to be in connection with the Budget of 1961, is unlike the general run of such memoranda. Instead of making sweeping recommendations as to the drastic reduction or even abolition of particular taxes, the memorandum is confined to a careful review of some of the anomalies of the present system of direct taxation, and the reforms suggested would be unlikely to have a very marked effect on the total revenue. The penultimate recommendation is that the CHANCELLOR should consider setting up an independent body of qualified persons to examine estate duty law and to make recommendations on it, including the possibility of introducing alternative methods of levying death duties. Alternatively, there is a suggestion that the existing law should be simplified and codified. The deliberations of such a committee or commission might well last for years, and could have no appreciable effect on the 1961 Budget. Nevertheless, the need for simplification is undeniable and the committee ought to have been set up long ago. The legislation is in a truly deplorable state.

It is perhaps a fair indication of the moderation observed in the memorandum that probably the most drastic step which is advocated is the abolition of Schedule A tax on notional income from owner-occupied (or beneficially occupied) real property. Even here, as the memorandum points out, such abolition, although involving a loss of revenue, would be accompanied by considerable administrative savings. The maintenance of cumbersome Schedule A records, and the meticulous examination of countless maintenance claims, would no longer be necessary. Indeed, as awareness of the right to maintenance relief grows, the position may well be reached where owner-occupiers as a body will so swamp tax offices with maintenance claims that the Inland Revenue will be glad to give up the tax. The abolition of Schedule B, also advocated by the Association, would scarcely cause a ripple in the Exchequer accounts, although it might well be unpalatable to owners of woodlands.

Of the many thoughtful and detailed recommendations on income tax, perhaps the one which most attracts sympathy is that for some limited form of averaging in favour of persons who have greatly fluctuating incomes, such as actors and professional sportsmen. The Association might well also have mentioned barristers, or indeed accountants, who may have very small incomes while building up their practices, and then have to pay high rates of tax which pay no attention to the past lean years. If the Association's recommendation can be criticized at all, it is that the suggested remedy does not go far enough. In particular it seems directed to the case where there is a catastrophic fall in income; we should like to see some provision whereby an individual taxpayer could carry forward some of his unused personal allowances or low surtax rates.

The recommendation that surtax directions should be limited to the part of a company's income which it can reasonably distribute is remarkable only in the fact that such an eminently reasonable recommendation was not adopted years ago. However, in practice something like the same effect is achieved in that surtax directions are not made without warning, and can often be bought off by a hasty declaration of dividend as an act of repentance. Nevertheless, it is quite wrong for the Special Commissioners to be in a position to threaten a direction of the whole of the income. Few trading companies whose securities are quoted on the stock exchange ever distribute the whole of their profits.

The Association recommends that the provisions for Schedule E assessment of benefits in kind from companies should not apply to directors as such but should be confined to persons earning £2,000 or over; i.e. the position of directors and of employees should be assimilated. Certainly the existing legislation causes a good many anomalies.

Lack of space prevents the discussion here of more than a fraction of the many helpful observations in the memorandum. It is to be hoped that the CHANCELLOR's advisers study it carefully, and that Parliamentary time be found soon for implementation of many of the reforms suggested.

# Capital Issues and the Accountant

## I—THE WORK OF AN ISSUING HOUSE

by GORDON CUMMINGS, F.C.A.

*Members of the accountancy profession as auditors, reporting accountants or financial advisers, can have direct and substantial responsibilities in connection with issues of capital by public companies. A look behind the scenes of the capital issue market should therefore provide a picture of the activities and work of the other professional people concerned, and of some of the exacting requirements which must be met.*

*This first of two articles describes the work of an issuing house; the second will deal with stock exchange requirements relating to a capital offer.*

**N**EW issues of capital or the marketing of existing stocks or shares of companies can, as shown later, take various forms. When, however, it is intended to apply for permission to deal in and a quotation for such securities on the London Stock Exchange, the capital issue market is generally the starting-point in carrying through the various operations essential to success.

The capital issue market, unlike the stock exchange and most other City markets, has no trading floor or specific place of business. Nor, though valuable co-ordination and joint action can be achieved through the Issuing Houses Association, of which most houses are members, is there any controlling body with mandatory powers. It is, in fact, made up of specialist concerns whose sole or main business is capital issues, merchant bankers who include these services amongst others such as acceptance business and the finance of international trade, stock-broking firms with their own issue departments, and the much wider network of insurance companies, investment trusts, other financial institutions and pension funds who participate in underwriting.

### Gathering Information

Activities are not entirely centred in London. There are some important and active houses in some of the provincial cities. The description which follows is based on the practice of one of the leading City houses.

The work and methods of an issuing house depend on the nature of each proposition. An old client company may be planning an offer of new capital, the conversion of existing fixed interest securities, a general rearrangement of its capital structure, or a take-over bid. A public company may want to change its advisers. Or a

private company may wish to offer the public some of its capital or to raise new funds.

With the first type of client, the issuing house knows pretty well everything that matters about its history, financial affairs, current trading and prospects. The preliminaries may therefore cover little more than bringing up to date the relevant facts about profits and finances, and suggestions as to the form, size, terms and prospective date of the issue. With a company in the second category, a good deal of basic information is publicly available and, though there will be certain inquiries about the management, trading possibilities and standing in its particular trade, the preliminaries also may not be particularly extensive or prolonged.

It is the private concern about which information is merely general or scanty that calls for detailed and thorough preliminary inquiry. Its extent depends largely on the source of the introduction. If it comes from sources well known to the issuing house or through accountants or solicitors, it is likely that essential data will be provided immediately, or be at hand. Primary considerations at this stage will be that the business is well managed and established, has prospects of expansion, and profits and assets are large enough to justify public participation. Preliminary information will, therefore, have to provide such facts, together, where possible, with the profit record for at least ten years, turnover figures, the trend of sales, volume of export trade, the reasons for making a public issue of new or existing capital, capital commitments and the relevant balance sheet data. The issuing house will make its own inquiries through associates and trade and other contacts as to the commercial standing of the business, its management and prospects.

If it is decided that the proposition is worth

pursuing, the issuing house will then want to take a close look at the business, its factories and methods of operation, and to assess the ability of its management. The results will be set out in a confidential internal report on which the principals of the house will decide whether to go ahead or not. Outline proposals follow if it is decided that the business should be handled.

### Independent Accountants' Report

Nothing as yet is binding. The issuing house, before it looks on anything as approaching agreement, will next want independent accountants nominated by it to report on the relevant financial matters. Part of the accountants' task will be to look into the adequacy of the controls on stock, costing and other book-keeping. Their report, which will provide essential data for the prospectus, will reduce figures to uniform bases and make necessary adjustments for fundamental changes during the period covered which, as already indicated, should wherever possible be at least ten years.

Armed with this information and its own findings, the house is now able to work out the best method of carrying through the public offering and of making any essential changes in the capital structure. Skill, experience and judgment are brought to bear to produce a result which will be fair to the client and to investors. With stock-market conditions and investment preferences volatile, there can be no 'ready made' approach to every issue. Not only has consideration to be taken of economic and financial conditions at the immediate time, but what they may be when the issue is actually made; which might be some weeks ahead. A fixed interest stock is clearly a doubtful starter, for example, if Bank rate is likely to rise before subscriptions come in or investors are showing a heavy preference for equities; to ensure success of a debenture, note or preference offering in such conditions, the coupon rate would have to be particularly attractive or there would have to be some jam in the form of conversion rights into Ordinary shares. Important factors in these enlightened days are, however, that the capital structure should be kept as simple as possible and the way left open to issue further blocks of any prior charge stocks with the minimum of formality.

### Types of Offer

Agreement with the client on the general principles of the offering may be merely formal; or major changes may have to be hammered out. It is prob-

ably at this stage that, if not already discussed, the method of making the offer is settled. A brief summary of the methods in use may be helpful.

A *Public Issue* is for stated amounts of particular classes, or one class, of capital at fixed prices. The investing public at large is invited to subscribe on the basis of a prospectus. All expenses are usually paid by the company.

An *Offer for Sale* is also made on the basis of a publicly issued prospectus. Here, however, the issuing house or some other party buys the whole of the capital being offered at an agreed price, or for a round sum, and resells to the public at a fixed price per share or unit of stock. The issuing house generally pays the main, or all, expenses such as underwriting and advertising – and gets its profit out of the difference in the two prices.

A *Placing*, as the term indicates, means that the issuing house places blocks of existing, or new, stocks or shares at a fixed price amongst insurance companies, investment and financial trusts, pension funds, brokers and other connections. As the securities are sold in substantial parcels, the costs of the operation are less than with public offers. If it is intended, however, to apply for a stock exchange quotation, which happens with the majority of placings, the equivalent of a prospectus has to be advertised and circulated, and a sufficient quantity of stock made available to the market for the start of dealings. The Council of the London Stock Exchange requires, in fact, that at least 25 per cent of the issued equity capital or 20 per cent of any fixed interest securities should be the subject of a placing. They also require that not less than 25 per cent of the equity capital or 20 per cent of any other securities placed should be offered to the market to meet the demand of clients of other brokers; and that jobbers should retain a reasonable proportion – 10 per cent of the amount offered to the market is generally considered to be sufficient – for the opening of dealings. A placing, with its saving of time and expense, has obvious attractions, particularly for a relatively small offering. On the other hand, the Council is not in favour of its use where circumstances indicate that other methods would be more equitable to the public. The issuing house may get a fee, commission on the placing, or a 'turn' between buying and placing prices for its services, out of which it may pay part or all of the expenses.

An *Introduction* is a useful and cheap method of providing a market in the securities of a company with a sufficiently wide spread of holdings already in existence to establish the market. No



marketing operation is involved. While an introduction of fixed interest securities is fairly common, it is unusual, however, for equity capital to be handled in this manner, the exceptions generally being (a) cases where a market has already been established in another recognized centre, or (b) new companies distributing shares to shareholders of existing quoted companies as a result of a segregation of assets.

### Direct Offers

Lastly, a great deal of new capital is now raised by public companies with stock exchange quotations through direct offers to their shareholders.

These may be 'rights' issues on attractive terms or open offers. Formalities and expenses are relatively light.

With the possible exception of a placing for which it is not intended to seek an early quotation, a vital part of any capital offering is to obtain a quotation on the stock exchange. Failure to do so – a rare event – means that the public and other interested parties are usually released from their obligations. An issuing house, therefore, takes every care to see that the necessary requirements, and those of the Companies Act, are fulfilled. The second article will deal with this aspect of capital issue operations.

## Comparative Succession

### AN OUTLINE OF THE LAW IN BRITAIN AND FRANCE

by WALTER HOPE, A.I.B.(Trustee Diploma), Lecturer in Executorship,  
Birmingham College of Commerce

ONE of the freedoms enjoyed by a person domiciled in England is his capacity to dispose as he thinks fit of all his property within the law. Thus an Englishman possessed only of property in England may make a valid will giving it all to persons other than his relatives, and the only possible restriction is that the Court, after hearing an application of the surviving spouse or dependent child, may (or may not) make reasonable provision out of the estate for the applicant's maintenance under the Inheritance (Family Provision) Act, 1938.

### Family Inheritance under French Law

Near to the opposite extreme is the law of France. This will apply as the *lex rei sitae* to any immovable property the testator leaves in France and, if he dies domiciled there, it will govern his movable estate as well because, even if he has made an English will, English law refers for devolution of personal estates to the law of the last domicile of the deceased and French Courts accept this *théorie du renvoi*. In these cases the testator may give by will (or during his life) only the *quotité disponible*, while his descendants or ascendants – although of English nationality – are regarded as his 'forced heirs' and are absolutely entitled to the *réserve*. If he has French heirs as well as English dependants, their right to a *réserve* of the whole estate will be met as far as possible out of any assets left in France (under the law of *prélèvement successoral*), even

though the testator dying domiciled in England excludes them by an English will.

The surviving spouse is not entitled to any portion of the *réserve* because, when there is no marriage contract, husband's and wife's estates each include one-half only of the marital property. If there are no descendants or ascendants, she may be given the whole estate by will; if ascendants only, the *quotité disponible* absolutely and bare ownership of the *réserve*. But if there is issue, a first spouse may be left only one-quarter absolutely and one-quarter in usufruct, while a second spouse is limited to the lesser of one-quarter or the smallest portion taken by any legitimate child.

Collateral relatives are not entitled to a *réserve*, although the legal heir may be a relative as remote as the twelfth degree (that is, the total of generations in the lines of the relative and the deceased from their common ancestor).

The *réserve* will be the maximum of three-quarters of the estate if there are three or more children; two-thirds if two; and one-half if one. If there is no issue, the paternal and maternal lines of ancestors are each entitled to one-quarter. A legally-recognized illegitimate child (not adulterous or incestuous) has a right to half as much as his legitimate brothers in his parents' estates but nothing in his grandparents'. If there are illegitimate children only, they take the appropriate *réserve* less one-eighth of the estate which in that case goes to the ancestors. The

birth of children to the testator after his will has been drawn up automatically causes the legacies given by it to lapse.

This compares with Scots law where the subsequent birth of a child for which no provision has been made, revokes a will, although subsequent marriage alone does not do this as in England. In Scotland, children have the right to 'legitim', which is one-third of the movable estate of their first parent to die (if the rights of the survivor are not renounced) and one-half that of the second. A widow has the right to *jus relictæ* (one-third of the movable estate of her deceased husband, or one-half when there are no children entitled to legitim) and also to 'terce' (a life interest in one-third of the heritable, or immovable, property). Similarly, a husband has corresponding rights of *jus relictæ* and 'courtesy' in his deceased wife's estate, although the latter is dependent on certain conditions as to a child having been born. These interests are debts of the estate.

### Right of *Paterfamilias*

Such contrasts may be explained historically by the fact that many of the principles of French and Scots law are derived from the Roman or civil law, which in this respect was based on the family and *paterfamilias* (head of the family). He held property not in his own right but as trustee for the benefit of the family as a corporate body, and when he died his successor took over responsibility for this family property. Usually the duty devolved upon the eldest son but, if there was no natural heir, Roman law recognized the right of the *paterfamilias* to nominate a new 'holder'. In this right has been seen the origin of wills, but such a holder was not in any circumstances to deprive of their rights in the estate those next of kin justly entitled to the succession. Indeed, the right to dispoise heritage by will was not recognized in Scotland until 1868.

Now, only persons under 21 years of age are normally restricted, in all three countries, in bequeathing any type of property. In Scotland, girls over 12 years and boys over 14 may dispose of movable property but not of heritable estate. In France, persons between 16 and 21 years may make wills for half the property they could have given if they had reached their majorities, and all three countries have privilege rules for sailors and soldiers on active service.

The normal requirements are statutory in England and three – any writing, signature and attestation – by the Wills Act, 1837. Scots law,

which does not lay down any special solemnities for the execution of wills as distinct from other deeds, gives an alternative method. No attestation is necessary if the will is wholly holograph or if the essential parts are holograph (as when a printed will form has been completed), and a testator may include a clause in his will requiring effect to be given to subsequent testamentary writings, no matter how informal these may be.

### Forms under French Law

A holograph will is also one of the three forms established under French law. It must be entirely in the handwriting of the testator, dated in full letters, and signed, but becomes void if the handwriting of anyone else appears on it. A foreigner resident in France is at liberty to adopt this or one of the other French forms or to follow the requirements of the law of his own country. The result is that realty in France could be devised by the will of an English person drawn up in English form but a French holograph will would not be valid for disposing of real property in England.

The second French method is by *acte public*. The testator dictates the contents to a notary who writes out the will in the presence of a second notary or two witnesses. After it has been read over, the testator, notary and witnesses all sign the document which remains in the custody of the notary. Notarial execution also occurs in Scotland when the testator is blind or illiterate, where it may also be performed by a Justice of the Peace or the parish minister.

Thirdly, French law provides for mystic or secret wills, which the testator signs and seals in an envelope. In the presence of two witnesses, he hands it to a notary who encloses and seals it in another covering. On this the notary writes a declaration, spoken by the testator, that the envelope contains his last will signed by him. Then the testator, the notary and the witnesses append their signatures.

French law still follows the original conception of a will primarily naming a holder to continue the trusteeship of family property, whereas the English law view is that a testator primarily draws up his will to show his intention of conveying the benefit of his own property after his death to named recipients and may, as an addition, appoint an executor to carry out his wishes. Scotland has accepted and rejected parts of both ideas.

This is illustrated by the procedure of legally recognizing the executor. Only in England is

there a Public Trustee but it is necessary for him, like any private executor, to obtain a grant of probate before he can prove his title to the deceased's estate. In Scotland, the equivalent confirmation is required only in connection with movable property: the deceased's will acts as a link in the title of heritage and, once the executor has formally intimated his acceptance of the office (for example, by endorsing the will to that effect), he is able to grant a valid disposition in favour of a purchaser – although in practice it is almost essential to register the will in the Books of Council and Session.

### Determining Rights of Succession

In France, there is nothing analogous to a grant of probate. Estates devolve direct to the *héritier* or legal heir. A will may give seizin of personal property only to the executor for a year and a day. He does not represent the estate but only the wishes of the testator, his duty being to see these carried out by the *héritier* who winds up the estate.

When death occurs, succession opens at the place of last domicile (not residence) of the deceased. This fixes which district Court in France has jurisdiction in deciding the rights of heirs, legatees and creditors; and the exact moment of *ouverture* is important in ascertaining who is to succeed. The *commorientes* rule is based on the same natural law as in England – that the younger survives the elder – but whereas the English variance is that an intestate survives his spouse testate but not intestate, the additional French rules are firstly, if both persons are aged under 15 years the elder survives; and secondly, if both are between 15 and 60 years, a male survives a female.

Normally, the *héritier* 'continues the person' of the deceased without formality. Nevertheless, a holograph or mystic will must be delivered (by the notary and witnesses in the latter case) to the President of the Court of first instance of the district, there being no special Courts in France for dealing with inheritance matters. He draws up an official report as to its contents and appoints a notary with whom the will is to be lodged. An *acte public* will, of course, is already in the hands of a notary and, if there is no *héritier*, the universal (residuary) legatee it names is automatically seized of the estate. In other cases, the universal legatee or surviving spouse must apply for an order of *envoi en possession* which resembles English letters of administration. He does this by having seals affixed and an

inventory drawn up, giving security, and filing a petition before the Court.

To have seals affixed to locks on the deceased's property, one applies to the *Juge de Paix* (district court judge) and the keys are retained by his registrar until, at least three days after burial and before three months, the inventory of all assets and liabilities is being drawn up by a notary to show what belonged entirely to the deceased and what in common with the surviving spouse. A deposit safe must be opened by the notary in the presence of a Revenue official. Gifts *inter vivos* on which the recipient has not paid duty must be shown valued at the date of gift, like cash but not kind in England. Particulars of property out of France must be sworn before the Court by the person seeking possession. The notary may also draw up the deed of partition which sets out the rights and liabilities of each beneficiary and which needs Court approval where minors are interested or if a creditor objects.

### Death Duty Liability

These two documents form the basis of the *déclaration de succession* for death duty purposes to be lodged with the Administration de l'Enregistrement of the place of death within six months. The heirs are jointly liable for the duty then payable, but each beneficiary must bear the amount on his portion of the estate. The rate depends on the value of the estate, the relationship of each beneficiary to the deceased, his age, marriage status, and the number of his children. Duty may be paid by instalments, by beneficiaries in the direct line and the surviving spouse over twenty years, by others over five years. Life assurance moneys used to pay the duty are exempt from assessment if the policy was effected for that purpose, although the asset must be shown in the *déclaration*. In England, this may be effected by a wish in the will and a policy under the Married Women's Property Act, 1882.

No advertisement to creditors is made as in Britain. The *héritier* (or universal legatee) becomes personally liable for all the debts of the estate unless he applies in person or by proxy to the clerk of the Court's office within forty days from the date of the inventory. There he may accept the inheritance on the condition of not paying debts beyond the value of the assets. (Minors authorized by their *conseil de famille*, always accept on this condition.) Or he may renounce if he has received gifts during the life of the deceased which he would have to bring in to the estate, as under hotchpot in England. A married

woman needs the authority of her husband or the Court to accept. If the heir has many debts of his own, a creditor of the estate can prevent the merger of the deceased's assets with those of the heir by obtaining from the Court an order for *séparation de patrimoines*. When no heir accepts, the Court may appoint a judicial administrator to pay the creditors and specific legatees (or their estates, because the gift does not lapse through prior death as in England). Any residue then goes to 'irregular successors' – the surviving spouse or the State.

### Legacy Rules

A gift by will must be of the whole *quotite disponible* (a universal legacy), a fraction, the realty or personalty, or of a specific item of property. Barred from receiving a legacy are priests, chemists and doctors who attended the deceased in his last illness, but not nurses or witnesses of the will. A guardian may not receive a legacy from his ward. An illegitimate child, if unrecognized, can be given only alimony; if recognized, a legacy not more than that of a legitimate child. To accept a legacy, a married woman needs the authority of her husband or of the Court, while hospitals and charities require a decree of the President of the Republic. To obtain delivery of his legacy, a legatee must apply to the reserved heirs, or to the universal legatee if there are no such heirs and he is entitled to the income produced by the property only from the date of his request.

If the deceased leaves orphans, in England a trust corporation may be appointed a guardian; in Scotland no limited company can be given this responsibility; in France the *Juge de Paix* convenes a *conseil de famille* of the nearest relatives or friends who supervise the acts of a guardian they appoint. Trustees in England must be unanimous before acting; in Scotland, a majority is a quorum and can act unless one of the minority is a *sine qua non* trustee without whom nothing can be done. In France, trusts are prohibited, with three exceptions only – (1) the disposable property may be given to children to benefit grandchildren, or (2) where there is no issue, to brothers and sisters for transferring subsequently to their children, and (3) successive life interests may be given provided all the beneficiaries are lives in being at the death of the testator. The English limitations are only the rules against perpetuities and accumulations.

If the deceased died domiciled out of France, to collect the French assets the personal repre-

sentative must lodge – most conveniently through a French agent – the *déclaration de succession* at the Administration de l'Enregistrement, des Domaines et du Timbre in Paris within eight months if the domicile was elsewhere in Europe or twelve months if in America. Then to complete the transfer, for example, of French registered shares it is necessary to present (1) the share certificate, (2) a certificate of ownership drawn up by a notary, (3) probate or letters of administration, (4) a certificate of law, signed by a lawyer of the country of domicile, as to the executor's right to request the transfer, (5) the power of attorney given by the executor to the French agent, and (6) the receipt for French death duty on the shares.

French registered shares and bank deposits in France are liable to duty in the same way as real property belonging to a deceased domiciled abroad. There is no duty on foreign securities in a French bank (although these must be shown in the *déclaration de succession*) nor upon the personal chattels of someone who dies while temporarily residing or travelling through France.

In 1907 a reciprocal agreement was made between England and France to supply information regarding persons dying domiciled in one country and leaving property in the other, but there is no treaty to avoid double death duties which may be payable both for domicile and situation of the asset.

### THE ACCOUNTANT ANNUAL AWARDS for 1961

Selection of this year's winners of *The Accountant* Annual Awards for company reports and accounts has been started by the Panel of Judges and well over 800 entries have so far been received for consideration. Secretaries are reminded that they have until *January 31st* to submit their companies' reports and accounts presented at annual meetings held in 1960.

Entries should be addressed to The Secretary, *The Accountant* Annual Awards, 4 Drapers' Gardens, London, EC2. The only condition of entry is that companies should be quoted on a recognized stock exchange in the United Kingdom.

# The Accounting World

## TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

### NEW ZEALAND

#### New Year Honours

IT is with pleasure that we offer our congratulations to three members of the New Zealand Society of Accountants whose names appeared in the New Year Honours List.

The C.M.G. has been awarded to Mr Herbert Leslie Bockett, A.R.A.N.Z., Secretary of Labour and Director of Employment, Wellington, and the C.B.E. to Mr George Edward Turney, F.R.A.N.Z., a former Public Trustee, of Wellington.

The O.B.E. has been awarded to Mr Arthur Hugh Ward, A.R.A.N.Z., general manager, New Zealand Dairy Board, Wellington.

#### Accountants in New Government

THREE accountants have been appointed to ministerial office in the new National Government following the recent elections.

Mr H. R. Lake, M.P., B.COM., F.P.A.N.Z., has been appointed Minister of Finance, Minister in charge of the Department of Statistics, Minister in charge of the Government Superannuation Fund, and Minister in charge of Friendly Societies. He is a partner in the firm of Lake, Lake, Glynn & Smith, Public Accountants, of Christchurch, and was formerly lecturer in accounting at Canterbury University College.

Mr J. Rae, M.P., F.R.A.N.Z., of Auckland, has been appointed Minister of Housing, Minister in charge of the State Advances Corporation, Minister in charge of the Government Life Insurance Office, and Minister in charge of the Public Trust Office. Mr Rae served as Minister of Housing in the National Government's previous term of office.

Another accountant to receive appointment in the new Government is Mr D. C. Seath, M.P., F.P.A.N.Z., F.I.A.N.Z., A.A.C.C.A., senior partner in the firm of Seath & Aston, Registered Accountants, of Taumarunui, who becomes Parliamentary Under-Secretary to the Minister of Finance. Mr Seath studied at Edinburgh University and has been a member of The Association of Certified and Corporate Accountants since 1937.

### CEYLON

#### Company Tax Levy

AN annual tax of Rs10,000 (£750) on all companies incorporated outside Ceylon, but operating in Ceylon, is sought through a Companies Tax Bill, which was presented to Parliament by the Minister of Finance last month. If, however, such a company can satisfy the Government of its working capital in

Ceylon, then the tax will amount to Rs50 for every Rs10,000 of that capital.

Also proposed in the new Bill is a tax on all companies incorporated in Ceylon of Rs50 for every Rs10,000 of share capital, payable in respect of the year ending March 31st, 1962. Where a company reduces its share capital on or before March 31st, 1961, and if before such reduction the share capital exceeded, and the issued capital was less than, Rs1 million, the amount of tax charged would be assessed on the reduced share capital, or Rs1 million, whichever is the greater. However, if before reduction the share capital and the issued share capital each amounted to over Rs1 million, the tax would be based on the reduced share capital or on the issued share capital on September 15th, 1960, whichever is the larger.

Companies which are incorporated in Ceylon having no share capital, but limited by guarantee, would have to pay Rs5,000 a year.

### PAKISTAN

#### Decimal Rupee

THE decimalization of the rupee was officially introduced by the Government of Pakistan on January 1st. Under the new coinage system the value of the rupee remains unchanged, but is divided into one hundred paise compared with its former division of sixty-four pice or 192 pies.

The eight, four, two, one and half-annas and one-pice pieces are replaced by coins of fifty, twenty-five, ten, five and one paise of which, for the time being, only the last three named have been introduced. Existing coins will continue to be legal tender and will gradually be withdrawn over the next four years.

### GERMANY

#### • Awards for Studies on Management Problems

WESTDEUTSCHE VERLAG, of Cologne, is offering four prizes of DM.4,000 each for scientific works in the fields of sociology, politics, economics and business studies. Two subjects have been chosen for each prize, of which the following are of particular interest to accountants:

#### I. Economics

- (1) To what extent can the methods of activity analysis and operations research be used for economic decisions?
- (2) A systematic analysis of the concept of rent in economic theory.

**II. Business Studies**

- (1) To what extent can the methods of activity analysis and operations research be used for business decisions?
- (2) Pricing policies in the light of current theories of cost accounting.

The prizes are open to competitors from any country, and works submitted may be written in English, French or German. They must be original studies as yet unpublished and not submitted elsewhere for publication. Manuscripts are required to be sent by registered post, marked *Preis des Westdeutschen Verlags*, to arrive not later than June 30th, 1961. A sealed envelope containing entrant's full name and address on a sheet marked *Preis des Westdeutschen Verlags* should be enclosed with each manuscript. The competition will be judged and the prizes awarded by January 31st, 1962.

**NETHERLANDS****Nederlands Instituut van Accountants**

AT the recent annual meeting of the Netherlands Instituut van Accountants, Mr H. C. Treffers was re-elected President and Professor G. Diephuis, of Hengelo, was elected Vice-President.

Messrs H. Gerritsen, P. C. Maan, LL.M., and G. F. Westendorp were elected members of the Council to fill the vacancies caused by the periodical resigning of Messrs C. Bakker, EC.DRS., W. Brenkman and E. A. Entrop. The Council of the Institute is made up of nine members, of which each year three, who are not immediately eligible for re-election, must resign. The other members of the Council are Messrs F. van Amerongen, hon. secretary, J. P. de Korte, LL.M., P. Wisse and Dr H. Veringa.

**UNITED STATES****The Accounting Function in an Age of Change**

IN a challenging article in *The Accounting Review* (Menasha, Wisconsin), Professor O. Neilson, of Stanford University, said that if the accounting function is to survive as an important element of modern business, it must change its nature. It must concern itself more with the future than the past, using the latter mainly for corrective action or for forming further plans for the future. This means, he urged, that the profession must adjust itself to new thinking and new technology and must let the business community know that it is doing so.

Professor Neilson viewed the case method, used in colleges and universities, as one impediment to change, for it tends to deal with the past. Another was the established textbook writer who draws prestige from past conditions. Professor Neilson would have such a subject as the mathematics of finance rewritten for the new age, to open up the imagination of accountant students for use in data planning. Matrix algebra and the calculus must be

familiar to future accountants, also micro- and macro-economics, the economics of the firm and its adjustment to its social environment.

Most accounting instruction in the United States, said Professor Neilson, is on the lines of a generation ago, and some sort of upheaval in training is needed to redirect accountants' thinking to problems of planning. If accounting does not achieve its new role it will not survive as a significant business function.

**CANADA****Investment Problem**

AT the beginning of the new Parliamentary session, the Government of Canada announced its intention to initiate legislation to give Canadians greater participation in their industry. The extent of foreign investment in Canadian enterprise is a well-worn theme in the Dominion. Canada has been for some time one of the most favoured havens for foreign capital. In a world short of capital the Canadians have had an embarrassment of it; true they have enjoyed the high standard of living which foreign investment has brought but they have relished less the fact of foreign participation on the grand scale which has come about. Leading bankers have frequently underlined the problem which can, and has, built up for Canada along with a high level of capital imports. This can stimulate high imports of consumer goods - until the day comes when high interest charges or profits start to move out the other way.

Canada plans fuller employment and more Government spending. In other words, it proposes to create more income for there are areas of the country where recession is deepening. It is here, however, that the real problem arises; which is to save more - to abstain from consumption - so that it can buy out foreign capital. The country is to be asked to live within its means and practise old-fashioned Victorian thrift.

This is the prescription. Only if it is taken will other Government proposals for controlling foreign participation in the control of the Canadian economy be intelligible. There are plans to make foreign-controlled company boards divulge information about themselves and the same for unions with foreign affiliations. Success in control by Canadians will in the end be measured by thrift.

**SOUTH AFRICA****Coins for New Currency**

THE South African Mint will have converted 400 tons of metal into 40 million decimal coins before 'decimalization day' on February 14th, according to Mr J. P. Roux, Director of the Mint. His staff was working twelve hours a day, Mr Roux said in Pretoria, to provide the country with coins for the change-over to decimal currency. The aim is to make 20 million cent pieces, 10 million half-cent pieces and about 10 million silver coins, ranging in value from 2½ cents to 50 cents. Each week 1½ million decimal coins are being delivered to banks.

## Weekly Notes

### More New Year Honours

IN our issue of January 7th, we had pleasure in congratulating members of the profession whose names appeared in the New Year Honours List. We should now like to congratulate also, three more members of the profession who received the O.B.E.

They are Mr Harry A. Bradford, F.S.A.A., H.M. Principal Inspector of Taxes, Board of Inland Revenue; Mr Ronald C. Simpkin, B.SC.(ECON.), A.A.C.C.A., assistant director, Ministry of Agriculture and Fisheries, and Mr Fred Turnbull, J.P., F.A.C.C.A., chief executive officer, Ministry of Pensions and National Insurance.

### Municipal Treasurers' Examinations

A TOTAL of 625 candidates sat for the examinations of The Institute of Municipal Treasurers and Accountants held last November. The results now announced show that 223 candidates sat for Part A of the Final, of whom 89 (40 per cent) were successful; in Part B of the Final, 158 candidates sat and 75 (47 per cent) passed.

Places and prizes have been awarded on the combined results of the May 1960 and November 1960 examinations and in the Final examination the First Place, Arthur Collins Memorial Gold Medal and the Institute Prize of ten guineas, were awarded to Mr Bernard Anthony Gillard, of the Comptroller's Department, London County Council.

There were 244 candidates for the Intermediate examination of whom 90 (37 per cent) passed, and the First Place and Prize of six guineas were awarded to Mr Leslie William Latter, also of the Comptroller's Department, London County Council.

The names of the successful candidates in Parts A and B of the Final, together with a summary of the complete results, appear elsewhere in this issue.

### Company's Loss of Exemption Status

THE recent authority in *Re Prenn's Settlement, Truvox Engineering Co Ltd v. Board of Trade* ([1960] 3 All E.R. 564) considered an instance to one of the exceptions to the conditions to be satisfied by an exempt private company on the date of making a return (as provided by Section 129 (2) (a)). The circumstances of the case were alleged to come within paragraph 3 (1) (b) of Schedule VII to the Companies Act, 1948. The plaintiff company, which was an exempt private company within Section 129, resolved to capitalize part of its profits for full payment of a number of its unissued preference and ordinary shares and to allot them to existing shareholders. Following immediately upon the company's

resolution, the settlor of a £200 settlement containing wide powers of investment and who was entitled to some of the newly paid-up shares, arranged with the trustees of the settlement to have allotted to them such shares in consideration of £150 payment out of the £200 of the settlement.

Did this transaction cause the company to lose its privileged status and thereby render itself liable to the ordinary requirements of Section 127 for the making of a return of balance sheet etc.? Cross, J., held that the company had so lost its exemption status on the ground that the shares allotted to the trustees were not within the exception description in paragraph 3 (1) (b), namely, 'any shares . . . held by trustees on the trusts of a will or family settlement disposing of the shares or debentures', for they were not disposed by the settlement, but acquired by purchase after the execution of the settlement. *Prima facie*, the learned judge stated the shares must form part of the estate of a testator or of a settlement, as the case may be; and 'would not naturally include cases where the shares came to form part of the will fund or the settlement fund by a change of investment'.

An article discussing this case and its effects in detail will appear in an early issue.

### O.E.E.C. Tax Survey

AT its sixty-third session in June 1958, the Overseas Territories Committee of the Organization for European Economic Co-operation decided to study the taxation measures applied, in the overseas countries and territories associated with O.E.E.C. member countries, to stimulate foreign investment. Later the committee decided to prepare a series of memoranda on the taxation systems of the territories concerned. These memoranda are to be published in two volumes, the first of which has now appeared.<sup>1</sup> It covers the Belgian Congo and Ruanda-Urundi, Somaliland under Italian trusteeship, the overseas provinces of Portugal, and Part I of a memorandum on the overseas territories of the United Kingdom. Each memorandum is in two parts: the first gives a general outline of the broad pattern of the taxation system applied, the means used to avoid double taxation, and the measures taken to stimulate investment. The second part is divided into three chapters; the first deals with taxes and other fiscal imposts relating to the establishment and installation of undertakings; the second with taxes and other fiscal imposts relating to the activity and profits of undertakings; and the third with taxes and other fiscal imposts levied on the income of entrepreneurs and investors. Each chapter has a section, where appropriate, on the fiscal measures taken to stimulate investment.

The next volume will deal with the territories associated with France, the Netherlands Antilles,

<sup>1</sup> *Taxation Systems Applicable to Investments*, Vol. 1. O.E.E.C. Available from H.M.S.O. 7s 6d net.



and the second part of the memorandum on the United Kingdom's overseas territories. It is not intended that the study shall be comprehensive, only selected territories being dealt with.

### O.E.E.C. Report on the United Kingdom Economy

IT is often a salutary experience, both for individuals and nations, to see themselves through the eyes of others. Economically speaking, this can be done by studying the booklet on the *United Kingdom*<sup>1</sup> published by O.E.E.C. in their series on economic conditions in member and associated countries of O.E.E.C.

The booklet begins by setting down some useful basic statistics. Amongst these the information on living standards is perhaps the most illuminating. It is shown that, in 1959, the gross national product per head was £455 at market prices; the consumption of energy per head in Britain is 75 per cent above the O.E.E.C. average, steel consumption per head 45 per cent, and industrial production 47 per cent higher than average. No less than half the United Kingdom's gross domestic product now originates in services and distribution, with agriculture contributing 4 per cent, mining and manufacture 40 per cent and construction 6 per cent.

The booklet itself bears a close resemblance to the annual *Economic Survey* produced by the Treasury, and this resemblance applies both to form and content. It reviews the economic forces at work during the first nine months of 1960 in much the same manner and order as does the *Economic Survey*, and it contains the usual statistical tables as a means of authenticating the analysis. The final section on 'Prospects and Conclusions' is of particular interest. Here we find the following comments: 'Overall demand may rise slightly next year. . . . It is disappointing that after so short a period of recovery from the previous recession it has not been possible to maintain a smoother and more satisfactory rate of expansion. . . . The overall competitive situation of British industry will also require increased attention if exports are to be increased. . . . Unless wage demands are moderated, there may be greater pressures on costs in the United Kingdom during the next few months when more intensive competition is developing in world markets'.

### Jenkins Committee Evidence

THE Stationery Office published on Tuesday the minutes of evidence taken before the Company Law Committee on November 4th, 1960, the sixth day of the public hearings.<sup>2</sup> Included as appendices are three memoranda; one submitted jointly by the Accepting Houses Committee and the Issuing Houses Association, one by the Society of Investment Analysts, and one by the Association of International

Accountants Ltd. The memorandum by the Society of Investment Analysts is a robust and vigorous affair calling roundly for much more information in accounts than is at present given by most companies. Its witnesses gave some startling examples of the lack of true information, one of them producing four sets of published accounts from which he said it was impossible to ascertain what the companies were in fact doing. One of the recommendations of the Association of International Accountants Ltd was that if exempt private companies were to be obliged to employ 'recognized' auditors, then recognition should be wider than it now is, and should include members of that Association.

### The First of the Bank Chairmen

THE first annual reviews of the bank chairmen of the big joint-stock banks have now been published. Sir Harold Bibby of Martins Bank Ltd has referred to the difficulty of controlling advances quantitatively from day to day and has pointed out that a slight reduction is now taking place in the personal loans of the bank. His review this year includes a statistical analysis of the ownership of the bank's shares. Two-thirds of the bank's capital is in the hands of individuals, nearly 11 per cent is owned by insurance companies, while investment trusts and pension funds take about 5 per cent between them.

Mr Tuke, the chairman of Barclays Bank Ltd, has once again introduced the flavour of stimulating controversy in this first group of chairmen's reviews. He dismisses increases in Bank rate as irrelevant in the domestic market, so far as internal economic conditions are concerned, and he dislikes the fluctuations in the price of gilt-edged securities, especially those fluctuations which are caused by the pressure of funding sales. He thinks that the time may soon have come for certain relaxations and that there should be a release of special deposits which the banks should use initially to add to their liquid assets, accompanied by a limited relaxation of hire-purchase terms. He also wants the 30 per cent liquidity ratio altered, and is in favour of much wider swings in liquidity combined with the manipulation by the authorities of special deposits. He does not seem to be so much against the authorities interfering with the free play of market forces as he is critical of the particular type of control they use and the way they use it.

Lieut.-Col. Marshall Brooks, chairman of the District Bank Ltd, thinks there are probably good grounds for maintaining a little longer the Government's attitude of 'wait and see'. He thinks that the school of thought which wants an expansion of industrial capacity, as against a high priority for stability of prices, should have a better hearing. He emphasizes for the long term the need for an improvement in productivity, inventiveness and management ability. If this is to be achieved he considers that facilities for training and education for manufacturing industry must be available on an increasing scale.

<sup>1</sup> H.M.S.O. 3s net.

<sup>2</sup> H.M.S.O. 4s 6d net.

### • Prospects for the Small Business

THE small business, usually privately owned, is still the typical manufacturing and commercial unit in this country. The problem of how the small business is to avoid suffering unfair discrimination when expanding in competition with larger units has attracted the attention of the Bow Group. They have put out a pamphlet *Outlook for the Small Business*, price 3s.

The pamphlet points out that discrimination exists because of the threat of surtax which overhangs private companies unless a 'reasonable' proportion of profits is distributed and also because of the death duties problem. Both these problems affect the ability of a company to provide its own finance for expansion.

The pamphlet suggests a reform in surtax procedure on bona fide trading concerns, and that in the case of death duties controlling shareholdings in small private companies should be valued for death duties on the basis of yield. They doubt whether a death duty is necessary at all in the long run.

The pamphlet is not in favour of cossetting small companies. Many small firms, it says, are stagnant and too often considered as only pieces of family property. They could make better use of their trade associations but they are often wrongly criticized for making insufficient effort in the export drive. The small firm, they consider, is an essential part of the industrial structure of the country. The pamphlet has been written by members of the Bow Group at Birmingham.

### E.C.G.D. in the New Year

IT is an indication of the steady, and perhaps not always helpful, flow of criticism about the Export Credits Guarantee Department that it never lacks for official apologists. The 1961 season opened in Stockport recently when the Minister of State of the Board of Trade brought the department's work into a luncheon address on his recent trip to South America. Referring to these grumbles he said that a good rough test of the usefulness of an article is to see how many people buy it. This is a very rough test indeed, of course. A better test is to compare the sales of the article with sales of similar ones or to count the complaints if there are no competitive products. Ten years ago, E.C.G.D.'s commercial policies were running at the beginning of the financial year at £367 million compared with £884 million in January 1960, and £1,000 million at December 1960. This certainly shows the big increase in demand for export credit but it does not provide any basis of comparison for what might have been achieved if the department's recent policy changes had been put into effect at an earlier date.

The Minister went on to say that E.C.G.D. had changed much in recent years and that exporters should keep up to date with its facilities. Cover has progressively improved and progressively cheapened. Five years ago the average short-term rate was 11s 8d and in the first half of the current fiscal year it was

8s 6d, a reduction of over 25 per cent. He stated that wherever E.C.G.D. could find a validly insurable risk in exporting within the field of its terms of reference as set down by Parliament, there is a form of E.C.G.D. cover available. The concern of the industrialist is that a Government department operating on E.C.G.D.'s scale should offer the kind of cover at a price which could be reasonably expected to be available if the constant pressure of competition could be brought to bear on E.C.G.D.'s activities.

The accounts of the Department for the financial year ended March 31st, 1960, published last Monday<sup>1</sup>, show that the credit balance on cumulative account for commercial business increased from £15,486,881 to £20,478,232 during the year. This balance represents the 'underwriting reserve' in respect of risks underwritten and outstanding at that date amounting to some £550 million.

Premium income for the year was £6,633,808 (compared with £6,143,469), operating expenses were £1,361,923 (£1,185,324), and claims paid amounted to £5,084,809 (£6,973,963) of which it is estimated that about two-thirds will eventually be recovered. Recoveries during the year amounted to £3,690,016 (compared with £3,469,286).

### Northern Ireland Development

A NEW brochure has been issued by the Northern Ireland Development Council called *Report on Industrial Development Facilities in Northern Ireland*. In the last few years Northern Ireland has worked to achieve a good deal of publicity about the facilities it offers for new factories and has probably spent a good deal of money. Its efforts have certainly been more in evidence than those of similar regions in the United Kingdom which have a chronic unemployment problem.

The latest effort is a foolscap-size brochure setting out industrial opportunities in Northern Ireland with facts on manpower, training and technical education, basic services, financial assistance, transport and housing facilities. It also wisely incorporates some remarks by companies which have already established themselves or a branch factory in the area.

For some reason the accompanying hand-out disclaims that the brochure is a glossy 'selling' booklet. Its style is that of a foolscap document prepared for a boardroom. It remains, however, a selling document and it is none the worse for that.

### Export Council for Europe

FACT-FINDING missions composed of leading business men and industrialists drawn from the thirty members of the Export Council for Europe are to visit Europe to confer with the commercial representatives of the British Government, British trading interests, existing importers of British goods and all other appropriate bodies. This step was agreed at the second meeting of the Council held last week

<sup>1</sup> H.M.S.O. 7s 6d net.

under the chairmanship of Sir William McFadzean, C.A.

Nine three-men teams will visit Britain's six partners in the European Free Trade Association (Austria, Denmark, Norway, Portugal, Sweden, Switzerland) and also France, Italy and Spain during February. The remaining ten countries covered by the Council

will be visited by similar sized missions in May and June. Discussions on the spot will be on the basis of a questionnaire covering market needs; competition from other countries; questions of price, quality and design; and study of successful British export efforts as well as investigation of complaints where these are well founded.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 60

**L**ISTENING to a young industrial consultant giving us a brilliant lecture on interviewing applicants for managerial positions, I fell to musing on the changing techniques of industry. He analysed the ways to overcome the candidate's stage-fright, to develop his personality and assess his potential value to the employer, and to give him an even break compared with his competitors. In my youth, such matters were never discussed publicly; we went unschooled and unskilled before experienced and perhaps unscrupulous interviewers.

\* \* \* \*

I remember well my first such ordeal. A big concern had advertised for a chief accountant and much to my surprise and delight, I was called for interview. The chairman had a reputation for aggressive efficiency, and it seemed a wonderful chance to make contact with top-level management.

Nervous but hopeful, as in old days before the kick-off, I arrived just seven minutes before my appointed hour of 3 p.m., and was shown into a big waiting room. The first shock was to find it already occupied. A senior assistant from another firm of auditors was there already. Quite a well-known character, he greeted me in kindly fashion. Yes, he was waiting for interview also; he knew the chairman pretty well; it should be a jolly interesting job, he thought.

I tried to balance his twenty years' experience, without any qualifications, against my A.C.A. and secretarial Intermediate exam, but his evident confidence was slightly depressing.

Anyhow, he was summoned at 3.5 p.m., so I lit a cigarette and waited. And waited. And waited. At 3.30 another candidate arrived, stared, and sat down silently; at 4.10 we heard hearty laughter in the next room and I recognized the senior's voice; at 4.20 I was finally called.

I entered with a cheerful 'Good afternoon, gentlemen', the chairman frowned at me and said: 'Good

afternoon. Please sit down.' He was seated at a small paper-littered desk; behind sat a semi-circle of at least a dozen strangers who nodded vaguely; I sat alone in the open and felt rather like a target. There were no introductions.

The chairman looked up sharply from his papers and said suddenly: 'Why do you think you can handle this job?' He obviously believed in the direct approach, so I told him briskly of my experience in auditing varied concerns and how I had done some specialized tax work, but it was heavy going in the face of his silent stare.

He asked two or three questions then about my school, my exams, and my knowledge of languages - though the information was all set out in my application - but he made no attempt to develop the answers, and a silence fell. So he said over his shoulder, 'Any questions?' and after another silence a hefty, cheerful character grinned encouragingly and asked me a question about share issues. This was on my home ground, so I expounded a little; when I paused the chairman just said: 'Have you any questions to ask?'

So I asked about the chief accountant's exact place in the organization, and the division of the sections under his control, to which the chairman replied briefly. He was clearly disinterested. I wasn't surprised when he said at exactly 4.35 p.m. 'Well, thank you for coming. We'll let you know later.'

I stared at him for a moment. Should I point out he owed me an apology for the long wait and for bringing me under the view of the other candidates? That his own curt reception had given me no chance to show my paces? That the silent and unfriendly tribunal had behaved in more cordial fashion to the previous candidate? I said nothing at all. I was handicapped by ignorance of normal procedure in such matters; for all I knew, inexperienced young accountants neither deserved nor received better treatment from top executives.

The chairman looked at me impatiently and said again, 'Well, good afternoon', and I left without another word. After all, I was young and raw. But even then, I felt wronged, as I did again when the aforementioned senior was appointed the next day. When the chairman subsequently retired, loaded with honours and eulogized by all, I felt the old sting rankling again.

\* \* \* \*

That consultant did a good day's work; the young accountants who heard him will know the ropes when their time comes.

# Finance and Commerce

## Redemption Option

**A**N interesting point concerning redeemable preference shares is contained in the accounts of Mercantile Credit Co Ltd, which form the subject of this week's reprint. The company is one of the biggest units in the hire-purchase business. Looking back to the previous balance sheet at September 30th, 1959, there was then shown £1,512,880 in 5½ per cent redeemable preference shares compared with £1,292,880 in 1958. The report explained that there had been an issue of the shares in connection with the acquisition of the preference shares of Mutual Finance Ltd.

In the balance sheet at September 30th, 1960, the amount is unchanged but the shares are no longer described as 'redeemable'. The report explains that the shares were issued on terms which gave the company the option to redeem them on or before July 31st, 1960, at a price of 23s 6d per share. The option was not exercised and so the report laconically states, the shares have ceased to be redeemable.

The matter was not allowed to rest there, however. At the company's annual general meeting on January 4th, Sir Mark Turner, the chairman, was questioned by a shareholder who thought the board's action to be contrary to general practice followed by companies having redeemable preference shares.

## Board's View

The shareholder also maintained that what the board had done was contrary to the intentions of the Companies Act. Redeemable preference shares, he said, were introduced by the 1929 Companies Act for the purpose of permitting companies to raise funds not necessarily required as permanent capital and which could be repaid over a period of time as and when the capital was no longer required.

The majority of the company's redeemable preference shares, he continued, had been issued over the last few years and he felt that the general investing public regarded them as redeemable as they were so described. Moreover, the company's action had reduced the value of the shares as they no longer had the optional redemption value of 23s 6d. The shareholder further submitted that what had happened was an alteration in the rights of the redeemable preference class, which required the sanction of three-fourths of the holders or, alternatively, the passing of an extraordinary resolution and alteration of the articles.

The shareholder's contentions may be debatable,

but when a member of a company in general meeting makes representations of this kind, they cannot be dismissed out of hand. The chairman replied that the board had been aware that there were some doubts as to what the actual rights attaching to the redeemable preference were. The question had been raised from time to time and they had always maintained that the option to redeem rested with the company. They had taken legal advice which was to the effect that they were perfectly right in their interpretation. If they had the right to redeem, they were correct in assuming that the right having elapsed, it would be incorrect to call the shares redeemable in the balance sheet.

The shareholder still maintained that an alteration in the company's articles was necessary but accepted the chairman's offer to consult the company's legal advisers on this point.

## Taken as Read

**M**ANY a company chairman has breathed a sigh of relief as he pronounced the final 'I now declare the meeting closed'. When he meets members of his company, he must be all things to all men: firm where a strong hand is necessary; patient with the shareholder who is trying to take an intelligent interest in the business; sympathetic with those unfortunates who bought their shares at something higher than current market price. The annual meeting can be something of an ordeal.

Mr C. W. Payne, chairman of Coronet Industrial Securities, met the unusual shareholder, Mr G. Eaton Jeffreys, of Swansea, at the annual meeting recently. Mr Jeffreys refused to take the report, accounts and chairman's review 'as read'. The chairman, he said, should read it at the meeting. Full of benevolence, yet persistent in purpose, the shareholder stood his ground despite the chairman's suggestion that as the members had had the printed word for three weeks, it was surely unnecessary to read it all out at the meeting.

Mr Payne paused for a moment and then gathering up the reins again, asked for a seconder for the proposal but neither of the other two shareholders present (apart from those at the board table) wanted anything to do with it. So in the end the documents were 'taken as read'.

## Auditors' Reply

Another matter that troubled the shareholder was the auditors' fee. He thought the amount excessive considering the size of the company's figures. What did the auditors do for the money? he asked.

The profit and loss account actually showed 'Audit fee - £184', as previously, and the consolidated profit and loss £296, as before.

The auditors' representative who replied said the fees were based entirely on the time and work involved. The question of the company's results did not enter into it at all. There was just as much work involved in reporting on accounts which showed a

**Balance Sheet 30th September, 1960**

	£	1959	£	1959	£	1959	£	1959	£	1959	£
<b>Capital</b>											
Authorised											
5s per cent. cumulative Preference shares of £1 each	1,512,880										
6s per cent. cumulative Preference shares of £1 each	2,500,000										
Ordinary shares of 5s. each (24,400,000)	6,100,000										
Unclassified shares of £1 each	387,120										
	<u>10,500,000</u>										
<b>Issued</b>											
5s per cent. cumulative Preference shares of £1 each	1,512,880										
6s per cent. cumulative Preference shares of £1 each	2,500,000										
Ordinary shares of 5s. each	6,100,000										
	<u>10,112,880</u>										
<b>Revenue Reserves</b>											
General Reserve	500,000										
Unappropriated Profits	271,497										
	<u>771,497</u>										
	<u>10,884,377</u>										
<b>Amount set aside for</b>											
Future taxation	514,000										
Special Staff Fund	47,455										
	<u>561,455</u>										
<b>Current Liabilities</b>											
Bank loans and acceptances	12,102,477										
Deposits	30,536,550										
Sundry creditors and accrued charges	313,706										
Taxation, including income tax assessable 1960/61	689,860										
Dividends (less tax)	25,083										
On Preference capital, accrued	280,219										
On Ordinary capital, proposed	301,517										
Retentions payable to suppliers only on satisfaction of their obligations	1,776,718										
	<u>45,724,613</u>										
<b>Current Assets</b>											
Balances at bankers and cash in hand	42,962,617										
Hire purchase and other instalment debtors, less provision for doubtful debts	4,046,455										
Less: Unearned finance charges	30,218,438										
	<u>16,790,634</u>										
Other debtors and prepaid expenses	311,622										
	<u>17,102,256</u>										
<b>Interests in Subsidiaries</b>											
Shares in subsidiaries no longer operating, at cost, less amounts written off	580,998										
Less: Loans from these companies	580,998										
	<u>—</u>										
Shares in subsidiaries operating, at cost, less amounts written off	4,717,345										
Balances on loan and current accounts with these companies (after deducting credit balance of £58,095—1959 £224,299)	9,897,458										
	<u>14,614,803</u>										
<b>Interest in Associated Company</b>											
Shares at cost—quoted on Toronto Stock Exchange	498,719										
(Market value £267,454—1959 £455,270)	508,710										
<b>Fixed Assets</b>											
Office equipment, fittings and cars at cost	416,215										
Less: Depreciation	112,081										
	<u>304,134</u>										
Freehold properties at cost	35,989										
	<u>340,123</u>										
<b>Note</b>											
The company has given guarantees to bankers and others in respect of advances to its English and Irish subsidiaries.											
<b>MARK TURNER</b>											
<b>RICHARD B. HURTON</b>											
<b>R. B. DAWSON</b>											
<b>L. J. GILL, Secretary</b>											

**Note**  
The company has given guarantees to bankers and others in respect of advances to its English and Irish subsidiaries.

MARK TURNER  
RICHARD B. HURTON  
R. B. DAWSON } Directors

L. J. GILL, Secretary

**MERCANTILE CREDIT COMPANY LIMITED**  
Consolidated Balance Sheet 30th September 1960

Capital of Mercantile Credit Company Limited		£	1959 £
Issued Preference Capital	.. .. .	4,012,880	2,762,880
Issued Ordinary Capital	.. .. .	6,100,000	6,100,000
		<u>10,112,880</u>	<u>8,862,880</u>
Revenue Reserves			
General Reserve	.. .. .	914,000	807,000
Unappropriated Profits	.. .. .	469,673	440,781
		<u>1,383,673</u>	<u>1,247,781</u>
		<u>11,496,553</u>	<u>10,110,661</u>
Amount set aside for			
Future taxation	.. .. .	929,000	1,010,410
Special Staff Fund	.. .. .	50,000	50,458
		<u>979,000</u>	<u>1,060,868</u>
		<u>737,378</u>	<u>688,156</u>
Interests of Minority Shareholders in Subsidiaries			
Loan Capital of Subsidiaries			
Registered Notes of National Industrial Credit Corporation Limited, redeemable 1968	.. .. .	250,000	250,000
Unsecured Notes of Mutual Finance Limited, redeemable 1973/78	.. .. .	50,000	50,000
		<u>300,000</u>	<u>300,000</u>
Current Liabilities			
Bank loans and acceptances	.. .. .	18,812,154	17,794,905
Deposits	.. .. .	35,153,851	20,830,259
Sundry creditors and accrued charges	.. .. .	631,690	729,382
Taxation, including income tax assessable 1960/61	.. .. .	1,376,438	986,169
Dividends (less tax) on parent company—			
On Preference capital, accrued	.. .. .	25,083	10,267
On Ordinary capital, proposed	.. .. .	280,219	301,517
Retention payable to suppliers only on satisfaction of their obligations	.. .. .	2,117,030	1,916,573
		<u>58,396,465</u>	<u>42,569,072</u>
Excess of cost of shares in subsidiaries over net assets acquired, less reserves capitalised by a subsidiary			
Notes			
(1) These accounts do not deal with National Industrial Credit (East Africa) Limited which was incorporated during the year and which has not yet made up its first accounts.			
(2) South African and Rhodesian currencies have been converted at par with sterling.			
(3) The Directors are of opinion that coincidence of the financial years of the South African and Rhodesian subsidiaries with that of the parent company would delay the submission of these consolidated accounts. Therefore the figures incorporated therein in respect of these subsidiaries are made up to 30th June, 1960.			

MARK TURNER  
RICHARD B. HURTON } Directors  
R. B. DAWSON

L. J. GILL, Secretary

£71,909,396 £54,728,757

**MERCANTILE CREDIT COMPANY LIMITED AND ITS SUBSIDIARIES**  
Consolidated Profit and Loss Account for the year ended 30th September, 1960

	1959 £	1959 £
<b>Taxation on the profit for the year</b>		
United Kingdom: Profits Tax .. .. .	155,098	200,656
Income Tax .. .. .	548,019	762,951
Overseas Taxation .. .. .	121,447	86,936
	<u>824,564</u>	<u>1,050,543</u>
<b>Profit for the Year</b>		
Attributable to Minority Shareholders .. .. .	63,218	31,023
Attributable to the Group, carried down	842,475	1,019,520
Debit with in accounts of parent company .. .. .	209,751	15,000
Retained in accounts of subsidiaries .. .. .	<u>746,032</u>	<u>1,052,226</u>
	<u>£1,633,814</u>	<u>£2,133,792</u>
<b>Transfers to General Reserve</b>		
By parent company .. .. .	234,552	199,000
By subsidiaries .. .. .	<u>107,000</u>	<u>433,552</u>
	<u>341,552</u>	<u>632,552</u>
<b>Transfer to interests of Minority Shareholders in subsidiaries ..</b>	<u>15,671</u>	<u>15,671</u>
<b>Dividends (less tax) of Mercantile Credit Company Limited (see Note below)</b>		
On Preference capital		
For 10 months to 31st July, 1960, paid .. .. .	118,026	35,406
For 2 months to 30th September, 1960, accrued .. .. .	<u>25,083</u>	<u>10,267</u>
	<u>143,109</u>	<u>45,673</u>
On Ordinary capital		
Interim dividend of 5 per cent. paid 11th May, 1960	186,812	150,759
Final dividend of 7½ per cent. proposed .. .. .	<u>280,219</u>	<u>301,517</u>
	<u>467,031</u>	<u>452,276</u>
<b>Unappropriated Profits carried forward</b>		
By parent company .. .. .	271,497	238,286
By subsidiaries .. .. .	<u>198,176</u>	<u>202,495</u>
	<u>469,673</u>	<u>440,781</u>
	<u>£1,186,813</u>	<u>£1,387,953</u>
<b>Note</b>		
The dividends on £1,250,000 of the 6½% Preference capital payable in the terms of issue on the 26th November, 1959 have been calculated from that date.		
<b>Operating Profit for the year after charging the items shown below .. .. .</b>		
Enoluments of directors of Mercantile Credit Company Limited—		
Fees .. .. .	14,462	11,054
Other emoluments .. .. .	56,200	59,428
Depreciation .. .. .	106,343	69,082
Interest on registered notes of National Industrial Credit Corporation Limited .. .. .	15,000	15,000
Interest on unsecured notes of Mutual Finance Limited .. .. .	3,250	2,437
Amount set aside for Special Staff Fund .. .. .	<u>4,325</u>	<u>14,057</u>
	<u>199,280</u>	<u>200,526</u>
<b>Income from Investments</b>		
Associated Companies .. .. .	56,524	56,524
Other Investments .. .. .	<u>7,378</u>	<u>7,378</u>
	<u>63,902</u>	<u>63,902</u>
<b>Profit for the Year brought down</b>	<u>746,032</u>	<u>1,052,226</u>
<b>Unappropriated Profits brought forward</b>	<u>440,781</u>	<u>285,727</u>
	<u>1,186,813</u>	<u>1,337,953</u>
<b>Income Tax overprovided in previous year due to subsequent reduction in the standard rate—</b>		
By parent company .. .. .	38,000	38,000
By subsidiaries .. .. .	<u>12,000</u>	<u>12,000</u>
	<u>50,000</u>	<u>50,000</u>
	<u>£1,186,813</u>	<u>£1,387,953</u>



loss as on accounts showing a profit. The fees, in his firm's opinion, were certainly not excessive. He was sure they were quite on a level with the fees charged by any other firm of chartered accountants.

Regarding the stage at which the accounts were produced to the auditors, he said the books were

received at the trial balance stage. His firm prepared the accounts including the group's consolidated accounts, and supplied an audit report on those accounts. In addition, they completed a share transfer audit, certifying all new share certificates as issued. The company has something over 1,000 shareholders.

## CITY NOTES

**E**CONOMIC doubts and new issues have dominated City interest this week. Cabinet level discussions on economic and budgetary policy have led to a considerable amount of speculation on the prospect of a complete overhaul of the taxation system. The Budget will show whether this speculation is well based or not. Meanwhile, the Chancellor continues to stress the potential dangers in new inflationary pressure and the need for a greater export effort. The December trade figures undoubtedly showed the importance of the Chancellor's views although the figures did suggest that imports may be over the hump for the time being.

A major contribution to the expression of City opinion on Government European trade policy came this week from Sir George Bolton, chairman of The Bank of London and South America, who advocated the lifting of remaining foreign exchange controls and a drive by the Government towards achieving greater European economic unity.

The stock-markets themselves continue to reflect current economic and taxation doubts although temporarily lower prices invariably attract fresh support. Buying in anticipation of the distribution of Ford money is one of the forceful influences on the market.

In this respect, I.C.I.'s £35 million rights offer is nicely timed. The heavy current availability of investment funds should take good care of this heavyweight operation and of the growing number of smaller new financing plans now being brought to the market.

## RATES AND PRICES

*Closing prices, Wednesday, January 18th, 1961*

**Tax Reserve Certificates:** interest rate (26.11.60) 3%

### Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

### Treasury Bills

Nov. 11	£4 15s 5'46d%	Dec. 16	£4 7s 6'04d%
Nov. 18	£4 13s 5'93d%	Dec. 23	£4 7s 1'45d%
Nov. 25	£4 12s 9'25d%	Dec. 30	£4 6s 11'78d%
Dec. 2	£4 12s 5'55d%	Jan. 6	£4 6s 10'38d%
Dec. 9	£4 9s 7'83d%	Jan. 13	£4 6s 1'51d%

### Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4½-4½%	2 months	4½-4½%
<i>Fine Trade Bills</i>		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

### Foreign Exchanges

New York	2'80 11-11	Frankfurt	11'70 11-11
Montreal	2'78 11-11	Milan	1743 11-11
Amsterdam	10'58 11-11	Oslo	20'03 11-11
Brussels	139'87 11-11	Paris	13'75 11-11
Copenhagen	19'35 11-11	Zürich	12'08 11-11

### Gilt-edged (revised List)

Consols 4%	65xd	Funding 3% 59-69	81½
Consols 2½%	43½	Savings 3% 60-70	78½
Conversion 5½% 1974	92½	Savings 3% 65-75	70½xd
Conversion 5% 1971	90½	Savings 2½% 64-67	83½
Conversion 3½% 1969	84½	Treasury 5½% 2008-12	92½
Conversion 3½%	58½	Treasury 5% 86-89	87½
Exchequer 5½% 1966	101½	Treasury 3½% 77-80	71½
Funding 5½% 82-84	94½	Treasury 3½% 79-81	70½xd
Funding 4% 60-90	87½	Treasury 2½%	42½
Funding 3½% 99-04	62½xd	Victory 4%	94½
Funding 3% 66-68	81½xd	War Loan 3½%	58½

# Taxation Case

*A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.*

## Grosvenor Place Estates Ltd v. Roberts

In the Court of Appeal - December 20th, 1960  
(Before the MASTER OF THE ROLLS (Lord EVERSHERD),  
Lord Justice HARMAN and Lord Justice DONOVAN)

*Income tax - Long lease - Tax not deducted from rent - Whether recipient of rent assessable - Customs and Inland Revenue Act, 1888, Section 24 - Finance Act, 1927, Section 26 - Income Tax Act, 1952, Sections 36, 38, 122, 169, 170, 177.*

The appellant granted a lease to the National Coal Board for eighty-one years from March 25th, 1955, at a rent of £96,177 a year payable in equal quarterly instalments. The Board did not deduct tax when paying a number of instalments. Assessments for 1955-56 and 1956-57 under Case VI of Schedule D were made on the appellant. The Special Commissioners confirmed the assessments.

*Held* (affirming the judgment of Mr Justice Danckwerts) (Lord Justice Harman dissenting): the Special Commissioners' decision was correct.

# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Specialism in the Profession

SIR, — Mr Stephen F. Russell, who replied in your last issue to my earlier letter (December 31st issue), has a point. I would not attack in any way the desirability of the condition we both mentioned from the point of view of The Institute of Cost and Works Accountants, and I certainly did not mean that the fellowship in management accountancy of that Institute was of 'no value' except in the context of its availability to such as myself, assuming (as I believe it must be) that the experience in cost accountancy must be full-time experience.

I think, however, that he has missed my real point, which was that it must surely be of benefit to the profession that practising accountants should take an interest in management accounting. If they cannot do so by means of the fellowship examinations of The Institute of Cost and Works Accountants, it seems to me quite logical that my own Institute should be at liberty to hold an examination based (a) on the experience entailed in the training required of any chartered accountant (which Mr Russell acknowledges), and (b) on the practical experience which is gained in general practice after qualification, in advising clients on many aspects of their business problems. This does not detract from the value of the existing fellowship at all, but adds a diploma with similar aims but from a different 'angle'.

I hope that, on reflection, Mr Russell will realize that I do not desire to belittle the fellowship or its conditions, but merely to say that it cannot at the moment satisfy the needs or aspirations of many practising members of my own Institute.

Yours faithfully,

London, EC2.

R. S. WALDRON, F.C.A.

## Revaluation of Assets

SIR, — In your issue of December 31st, you reprinted the accounts of Seddon Diesel Vehicles Ltd.

In commenting on the company, you dealt at length with various points raised in the chairman's statement, but you made only passing reference to the more pertinent questions raised by the company's treatment in its accounts of the surplus arising on revaluation of its fixed assets.

This surplus, to the extent of £91,000, has been credited to revenue reserves and this suggests that this sum, although an unrealized surplus, could thereby

be made available for distribution to shareholders. I shall be interested to have your further considered views on this matter, and also those of your readers, from the angle of prudence and sound accountancy practice.

I also note that no reference is made in the accounts, as reprinted, to the future basis for providing depreciation, nor as to how this will affect future profits.

Yours faithfully,

LONDON CHARTERED ACCOUNTANT.

[The Seddon treatment of the assets valuation surplus is an example — although admittedly an extreme one — of the current trend of thought on surpluses and reserves. The treatment of the 'merger surplus' in the Unigate accounts, referred to in our correspondence columns on December 17th last, is a case in point. It is a matter on which opinion will obviously be widely divided, particularly from the point of view of the theoretical availability of revenue reserves for distribution. — Editor.]

## Father and Son

SIR, — Your issue of January 14th contained the announcement of Sir Harold Howitt's retirement from the Council of The Institute of Chartered Accountants in England and Wales, with a tribute to him from a fellow member. In the same issue, there was reproduced a paper by Sir Harold's son, Mr A. W. Howitt, as well as photographs of both.

While it may not be unknown for a son to achieve eminence in the same profession as his father, it is certainly unusual for the evidence of their distinction, with their portraits, to be published in one and the same issue of *The Accountant*. This, it would seem, was both a coincidence and a record.

As one who is not connected with Sir Harold's Institute perhaps I may be permitted to express to him the appreciation felt by a much wider circle for the outstanding service which he has rendered for so many years to the accountancy profession as a whole.

Yours faithfully,

JAMES M. S. RISK.

Amersham, Bucks.

## Clearer Company Accounting

SIR, — The requirements of the Companies Act, 1948, relating to the disclosure of the amounts charged against revenue in respect of directors' and auditors' remuneration and depreciation of fixed assets has resulted in the frequent use of the rather curious method of presentation of the profit and loss account exemplified by the following specimens which have been extracted from recent statements by the chairmen of two well-known companies:

- (1) 'The results for the year show a group trading profit of £A as against a corresponding figure of £B last year. From this has to be deducted depreciation, auditors' and directors' remuneration and interest on the 6 per cent unsecured loan

- stock, leaving £x available against £y last year.'
- (2) 'The group trading profit of the year at £A is £B or x per cent more than last year. After allowing for depreciation, audit charges and remuneration of directors, the profit before taxation is £y, an increase of £z.'

The reasons for the Act requiring the disclosure of the amounts of these items is well understood, but why it should be interpreted by company directors and their financial advisers as meaning that the balance arrived at before charging them can fairly be described as 'trading profit' is hard to follow. The expenses themselves are not fundamentally different in nature from some other types of charges which have been debited 'above the line' and are not subject to statutory requirements as to disclosure. Many companies have, of course, adopted a more accurate form of presentation, viz. 'The trading profit of the year is £x (and as an inset) after charging depreciation £a, auditors' remuneration £b and directors' remuneration £c', or some such similar layout.

In spite of (or perhaps because of) the 1948 Act many company reports are still virtually incompre-

hensible to the lay shareholder and other interested parties and the persistent use of such practices as that outlined above does little to improve their intelligibility. It may be impossible or undesirable that hard and fast forms of accounts should be imposed on companies by law but there is still a lot of room for significant improvements.

The Legislature, in turn, must assist the movement towards clearer company accounting by the introduction of such reforms as permitting the issue of 'no par value' shares and we shall look to the forthcoming report of the Jenkins Committee for some positive help in achieving this objective.

However, much remains to be done by individual and collective example and if capitalism is to be explained to the potential 'cloth cap investor' in a way which he can understand then it is time that industry and the accountancy profession put their houses in order. They must not complain that the true picture is misrepresented by those on the other side of the fence if that picture has been obscured by bad display.

Yours faithfully,  
D. F. GOCH, A.A.C.C.A.

Stevenage, Herts.

## New Legislation

*All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.*

### STATUTES

#### 5 & 6 Eliz. 2

##### Chapter 20: House of Commons Disqualification Act, 1957

An Act to make provision for disqualifying the holders of specified offices for membership of the House of Commons, and to repeal the enactments providing for the disqualification of the holders of offices or places of profit under the Crown and other offices, of persons having pensions from the Crown and of persons contracting with the Crown for or on account of the public service, and certain enactments disqualifying members of that House for holding other offices; to make corresponding provision in respect of the Senate and House of Commons of Northern Ireland; and for purposes connected with the matters aforesaid.

Price 2s net. April 17th, 1957.

##### Chapter 69: Road Traffic (Driving of Motor Cycles) Act, 1960

An Act to amend the provisions of the Road Traffic Act, 1960, relating to the ages at which and the conditions subject to which persons may drive motor cycles and may obtain licences for that purpose.

Price 3d net. October 27th, 1960.

#### 9 Eliz. 2

##### Chapter 1: Indus Basin Development Fund Act, 1960

An Act to provide for United Kingdom contributions towards the cost of certain works for the Indus river basin.

Price 3d net. December 20th, 1960.

##### Chapter 2: British North America Act, 1960

An Act to amend the British North America Act, 1867.

Price 3d net. December 20th, 1960.

##### Chapter 3: Administration of Justice (Judges and Pensions) Act, 1960

An Act to provide for the appointment of additional judges of the High Court and Court of Appeal; and to make further provision with respect to the pensions of certain judicial officers.

Price 4d net. December 20th, 1960.

##### Chapter 4: Expiring Laws Continuance Act, 1960

An Act to continue certain expiring laws.

Price 4d net. December 20th, 1960.

**A monthly feature designed to keep readers - whether in practice or in commerce - abreast of the latest developments in the field of office equipment.**

## New Office

### Time-saving Calculator

**A** NEW addition to the *Facit* 'ten key' range of calculators has an exclusive feature which allows the operator to transfer the result of any multiplication back to the setting register at the speed of clearance. At the same time the product and multiplier registers are cleared automatically.

The new transfer feature makes it unnecessary to re-set partial results, since the figures in the multiplier

the operator is thus spared the trouble of correcting either under- or over-throws.

When the unit is fitted to a tape-operated typewriter (such as the 'Flexowriter') the manual control is replaced by an electric linefinder. The throws are then initiated by a code symbol punched into the tape. After every throw, the linefinder stops the form in the right position for the insertion of the next group of information, and typing begins immediately. The free-standing electric control unit can be placed anywhere on the typewriter table.

Applied to tape-operated typewriters used as output devices on computers, this system can achieve appreciable savings in programming and operating time.

Price: On application.

Lamson Paragon Ltd, Paragon Works, London, E16.

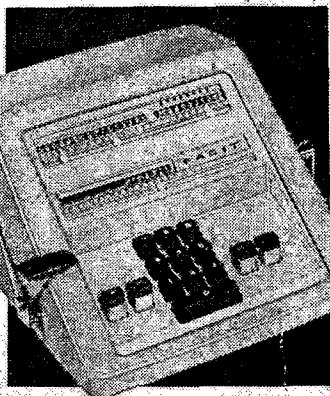
### Fast-loading Dictating Machine

**S**NAP-IN tape cassettes (which can be sent by post) make the latest model of the *Philips* dictating machine particularly easy to use. Loading takes only a few seconds; as the transparent plastic cassette is snapped into place, the tape is automatically positioned in the slot containing the recording head.

Each cassette holds just over 200 ft. of long-playing tape. With twin-track recording, this gives up to forty minutes' dictation. Fast winding backwards or forwards takes eighty seconds; fast erasing, by locking both 'rewind' and 'record' buttons, takes eighty seconds per track.

The machine can be used for normal dictation or for recording telephone conversations. In addition, conferences or discussions can be recorded if a pre-amplifier, available as an extra, is used.

The combined microphone/loudspeaker has a 'record' warning light and a lockable start/stop switch. The simple controls are inter-locked to prevent errors in operation. If the user starts to record through the



*Facit Ten-key Calculator*

register can be transferred for use as the next multiplicand or dividend.

The machine incorporates complete tens-transmission and has a working capacity of  $11 \times 9 \times 16$ . It is not only portable but is fitted with rollers so that it can easily be moved to the back of a desk when not in use.

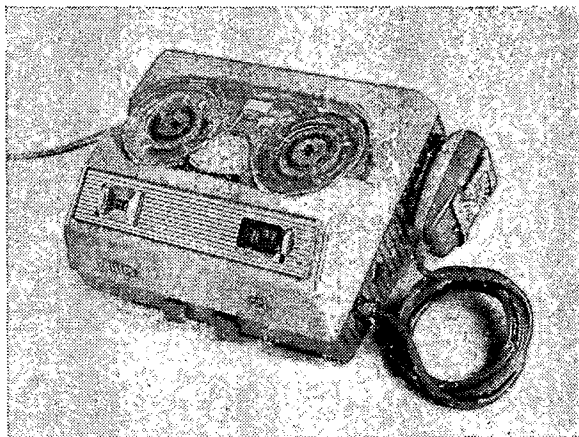
Price: £115.

Block & Anderson Ltd, Pemberton House, East Harding Street, London, EC4.

### Continuous Form Typing Speeded Up

**T**HE preparation of multi-part continuous forms on electric typewriters can be speeded up considerably by using a new device which rapidly advances the paper from one typing position to the next. Known as the *Formaliner Above-Platen Form Feed*, it is a clip-on unit which can be attached or removed in a second or two. Although strongly constructed, it is so light in weight that it puts very little load on the typewriter carriage.

Two versions are available, enabling the device to be used with either standard electric machines or tape-operated typewriters. In the first case, the fast throw is brought into operation by depressing a hand- or foot-operated key. The paper is then fed through the tractors at about twenty-four lines per second - four times the normal speed of vertical spacing on electric typewriters. The movement is positive and



*Philips Dictating Machine, Type EL3581/54*

## quipment

microphone when the selector switch is set to telephone recordings there is an audible warning. The tape in the cassette incorporates a metal foil switch which operates a buzzer to indicate the end of the tape when recording, playing back or rewinding.

An accurate revolution counter enables individual words to be pin-pointed. Tapes are played back through the microphone/loudspeaker, through comfortable stethoscope headphones or through a desk-mounted loudspeaker. There is a volume control for playback.

Attractively styled in two-tone green, the machine weighs 7½ lb. and measures 10 in. by 7½ in. by 4 in. The basic equipment consists of machine, microphone, foot control and headphones; the range of accessories includes telephone coil, carrying case and pre-amplifier.

Price: £51 19s 6d (basic equipment).

Philips Electrical Ltd, Century House, Shaftesbury Avenue, London, WC2.

### Tea-break Facilities without Cost

THE installation of automatic vending machines enables a business to provide tea-break facilities without overheads or canteen accommodation, and to discourage members of the staff from paying 'unofficial' visits to nearby cafés.

Under a new service offered to companies in the London area with more than thirty employees, *Nelson Line* automatic vending machines are installed, serviced and maintained free of charge.

Tea with or without milk, and coffee with or without milk or sugar are supplied by the same machine. The customer merely selects the beverage of his choice by moving an indicator. As soon as the coins are inserted, a china-coated paper cup drops into a trough at the bottom of the machine and is filled in a few seconds.

All drinks are piping hot and fresh dairy milk is used in making them. After each sale a flow of hot water removes all traces of milk and concentrates from the pipes.

Price: £225. Free installation, maintenance and service for companies in London area with over thirty staff.

Green Barbour Ltd, Kendal Street, Rear of Park West, London, W2.

### For Extra-wide Dyeline Copies

DESCRIBED by its manufacturers as the only dyeline reproduction machine of its kind in Britain with 42 in. feed width, the *Admel Revolute Rockette* can be used on a table or on its own stand.

The machine employs a 1½ kw. quartz lamp. Print quality is excellent and the unusually short distance of travel of both original and exposed material makes possible a high rate of production.

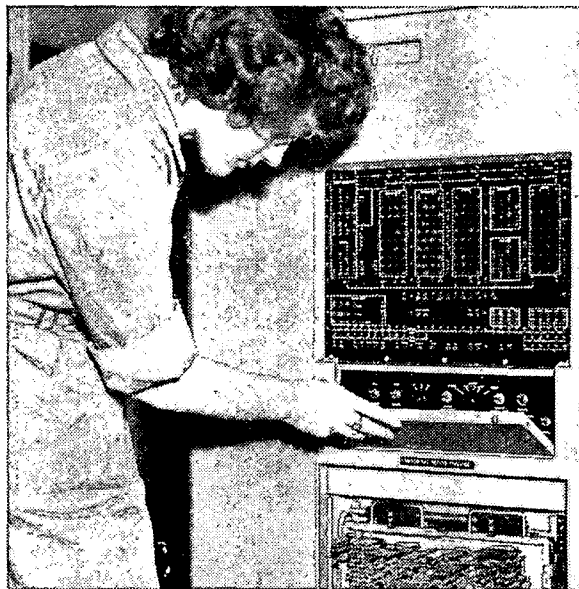
Price: £395.

Lawes Rabjohns Ltd, Abbey House, Victoria Street, London, SW1.

### Punched-card 'Plugging' Simplified

PUNCHED-CARD users can simplify their plug-board procedures by using the recently developed *Novano* pre-wired plaque. This device, applicable to most types of tabulating equipment, also reduces the number of basic control panels.

Manufactured by Novotechnics, Letchworth, Herts, the plaque has been taken up by International Com-



*Novano Plaques in use on I.C.T. 550 Calculator*

puters & Tabulators, who are the sole distributors in the United Kingdom.

It has already been adopted by a number of larger organizations, including the British Petroleum Co.

Price: On application.

International Computers & Tabulators Ltd, 149 Park Lane, London, W1.

### Rapid Mail Opening

THE electrically-driven *Omex* Mail Opener can do a great deal to speed up the irksome chore of distributing incoming letters. It handles envelopes of all types and sizes at speeds of up to 600 per minute without damaging the contents or endangering the operator.

Operation merely consists of slightly fanning a batch of envelopes and feeding them into the machine. Even if this is done inaccurately the envelopes are automatically aligned with the cutting blade.

Because machines of this sort are generally used by office juniors, safety is of paramount importance. The *Omex* shows up well in this respect; its moving parts are totally enclosed. Moreover, the motor is automatically disengaged, so that the cutting knife cannot revolve when the knife casing is lifted to enable the operator to clear the accumulated paper dust.

Price: £75.

Office Mechanisation Ltd, Ofrex House, Stephen Street, London, W1.

# Notes and Notices

## PROFESSIONAL NOTICES

The partners of MESSRS BOARD, GRAHAM HILL & Co, Chartered Accountants, of 14 The Broadway, St Ives, Huntingdon, announce that, by mutual agreement, the partnership was dissolved on December 31st, 1960. Three of the partners will practise separately at the following addresses: Mr H. P. BOARD, F.C.A., at Cintra House, 16 Hills Road, Cambridge, Mr P. GRAHAM HILL, F.C.A. (as GRAHAM HILL & Co), 14 The Broadway, St Ives, and 54 High Street, Huntingdon, and Mr J. M. S. WHITTOW, M.A., F.C.A., at Cintra House, 16 Hills Road, Cambridge. Mr C. E. B. THOMPSON, M.A., F.C.A., in partnership with Mr R. A. PATERSON, C.A., will practise as PATERSON & THOMPSON, at Archdeacons House, Northgate Street, Ipswich.

MESSRS FORD, RHODES, THORNTON & Co, Chartered Accountants, of Times of Ceylon Building, 3 Bristol Street, Colombo 1, Ceylon (P.O. Box 186), announce that Messrs N. G. P. PANDITHARATNA, B.SC.(London), A.C.A., and ARULAMPALAM KARUNALINGAM, B.SC.(Ceylon), A.C.A., senior assistants of the firm have been admitted as partners with effect from January 1st, 1961. The name of the firm remains unchanged.

MESSRS GARDNER, THOMPSON, CARRICK & WHITEHEAD, Chartered Accountants, and Messrs T. HAROLD MAJOR & Co, Chartered Accountants, of Newcastle upon Tyne, announce that they have amalgamated as from January 1st, 1961, and will carry on business in future under the style of GARDNER & Co, Chartered Accountants. The partners of the amalgamated firm are Messrs PHILIP GARDNER, F.C.A., H. C. GUY, F.C.A., G. M. CARRICK, F.C.A., G. WHITEHEAD, A.C.A., A. D. BARRITT, A.C.A., and G. MURRIN, A.C.A.

MR F. M. GILLIAT, F.C.A., formerly senior partner of Messrs DEARDEN, GILLIAT & Co, R. F. MILLER & Co, and MARSHALL, GIBBON & Co, Chartered Accountants, of Manchester, retired from those firms on December 31st, 1960, but continues to be available as consultant. As from January 1st, 1961, those firms have amalgamated with Messrs MIAL, HARPER & Co, Chartered Accountants, of London, and the new firm will practise under the style of DEARDEN, HARPER, MILLER & Co, in Manchester and London.

MESSRS HERBERT PEPPER & RUDLAND, Chartered Accountants, of 20 Waterloo Street, Birmingham, 2, announce that Mr G. C. ALLMAN, F.C.A., has been admitted a partner as from December 25th, 1960.

MESSRS LAWRENCE KERSHAW & Co, Chartered Accountants, of 108 Park Street, London, W1, announce that Mr PETER L. BOBATH, A.C.A., has been admitted into partnership as from January 1st, 1961. The name of the firm remains unchanged.

MESSRS MANN, JUDD & Co, Chartered Accountants, of 8 Frederick's Place, London, EC2, announce with deep regret the death of Mr HAROLD G. JUDD, C.A., their senior partner. [An obituary notice appeared in last week's issue of *The Accountant*. - Editor.]

MR W. T. WATSON, F.C.A., practising under the style of SAYER, WATSON & Co, announces that he has taken into partnership Mr A. P. WILSON, A.C.A. The style of the firm remains unchanged.

MESSRS WHINNEY, SMITH & WHINNEY, Chartered Accountants, of London, announce the formation of an associated firm practising under the same name from Post Office Chambers, St Nicholas Street, Newcastle upon Tyne, i. The partners in such associated firm are Messrs E. F. G. WHINNEY, M.A., F.C.A., W. D. MONTGOMERY, C.A., E. W. G. JOICEY-CECIL, F.C.A., G. D. PATERSON, T.D., M.A., F.C.A., and B. D. SCOTT, M.A., F.C.A., of the London firm and Messrs HAROLD MURRAY, F.C.A., G. N. ROBSON, F.C.A., A. R. GLENTON, F.C.A., and W. G. MACKEY, F.C.A., of the firm of THOMAS BOWDEN & GLENTON, Chartered Accountants, which firm continues to practise from the same address without any change in its constitution.

MESSRS WHINNEY, MURRAY, BAGULEY & Co, Hamburg, announce that Mr L. RAITTE, A.A.C.C.A., Wirtschaftsprüfer, who has been a member of their staff for a number of years, has been admitted as a partner in the firm as from January 1st, 1961.

MESSRS WHINNEY, MURRAY & Co, Continental firm, announce that Mr G. E. ELLIS, F.C.A. (Milan), Mr H. J. McDOWELL, F.C.A. (Copenhagen) and Mr A. D. WELCHMAN, A.C.A. (Paris) who have been members of their staff for a number of years, have been admitted as partners in the respective local firms as from January 1st, 1961.

## Appointments

Mr G. L. C. Touche, B.A., F.C.A., has been appointed a director of C.L.R.P. Investment Trust Ltd.

Mr D. D. Mathieson, F.C.A., has been appointed chairman of the Gas Purification & Chemical Co Ltd.

Mr D. D. Teasdale, B.COM., F.C.W.A., secretary and chief accountant, of Fawcett Preston & Co Ltd, has been appointed general manager of the company and has joined the board.

Mr William Macfarlane Gray, J.P., F.A.C.C.A., has been appointed by the Secretary of State for Scotland as a part-time member of the South of Scotland Electricity Board.

## BOARD OF REFEREES

Mr E. N. Macdonald, D.F.C., F.C.A., and Mr J. E. Talbot, F.C.A., both members of the Council of The Institute of Chartered Accountants in England and Wales, and Mr J. D. Russell, M.A., F.C.A., have been appointed as members of the Board of Referees.

## CREDIT FINANCE FOR SHIPBUILDING

Mr A. G. B. Burney, O.B.E., B.A., F.C.A., a partner in the firm of Binder, Hamlyn & Co, Chartered Accountants, of London, is visiting shipyards in the United Kingdom at the request of the Ministry of Transport following recent discussions between the Ministry and the Shipbuilding Conference on credit finance for shipbuilding.

**INCOME TAX: PURCHASED LIFE ANNUITIES**

The Commissioners of Inland Revenue have made regulations under Section 28, Finance Act, 1956, extending the time limit from twenty-one to thirty days for notices of objection to the determination by Inspectors of Taxes of claims for exemption from tax of the capital element in a purchased life annuity and of the amount of such capital element. The regulations are entitled *The Income Tax (Purchased Life Annuities) (Amendment) Regulations 1960* and were published on December 19th, 1960, as S.I. 1960, No. 2308.

The appeal period is thus brought into line with the normal income tax appeal period which, since 1958, has been thirty days.

**EUROPEAN TAXATION  
New Fortnightly Review**

A new publication by the International Bureau of Fiscal Documentation has appeared. It is to be published fortnightly and is called *European Taxation*. The first eight-page issue includes short notes on patent royalty contracts and taxation in thirteen European countries, and brief articles on the new German tax treaties with Luxemburg and the Netherlands and on the Netherlands corporation tax and dividend tax proposals. The annual subscription (airmail edition) is quoted at \$35. The Bureau's address is Herengracht 196, Amsterdam, C.

**STANDARD COSTS**

A two-day course on 'Management control through standard costs' will be held at *The Midland Hotel*, Manchester, on January 31st and February 1st.

The purpose of the course is to show how standard costs are established and how they may be used to assist managers. The speakers will be Mr Douglas A. J. Manser, F.C.A., A.C.W.A., and Dr James M. S. Risk, B.COM., PH.D., F.C.I.S., F.B.I.M.

Further details may be obtained from Management Courses Ltd, 18 Hanover Street, London, W1.

**GRADUATED PENSION SCHEME  
Official Guide**

A detailed guide to the arrangements for paying the new graduated national insurance contributions which commence next April is in course of distribution to employers throughout the United Kingdom. The guide explains an employer's responsibilities for paying graduated contributions, the employees for whom contributions are due and how the contributions are calculated.

Stamps and cards, as well as the other approved methods of payment, will continue in use for paying the flat-rate contributions due for all employees. The graduated contributions for those employees earning over £9 a week (and who are not contracted out of the graduated part of the scheme) will be collected through the P.A.Y.E. system in association with income tax. From April 3rd, 1961, when pensions and benefits are being increased, employees who are not contracted out will pay flat-rate weekly contributions which will be for men, 18s 2d (9s 9d, employer 8s 5d) and for women, 15s 2d, (8s, employer 7s 2d). In addition, those earning more than £9 a week will pay a graduated contribution ranging from 1d a week if earning just over £9, to 5s 1d a week if earning £15 a

week or more. Employers will pay an equal amount.

For employees who have contracted out of the scheme, the weekly flat-rate contributions will be for men, 21s (11s 4d, employer 9s 8d) and for women, 16s 5d (8s 10d, employer 7s 7d).

A leaflet, NI III, also explaining the new graduated pension scheme is obtainable from local Pensions and National Insurance offices.

**THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION**

At a recent meeting of the Executive Committee the chair was taken by Sir William Carrington, F.C.A., President of the Association, and twelve members were present.

The President reported with deep regret the death of Mr B. J. Davis, F.C.A., on September 18th, 1960. Mr Davis had been a member of the Executive Committee since 1947 and high tribute was paid to the devoted service he had given on the Committee. He was also chairman of the investment subcommittee and Mr R. W. L. Eke, F.C.A., expressed that subcommittee's great appreciation of the guidance and counsel which Mr Davis had given to it.

**Applications for Assistance**

Six new applications for assistance were considered; in one case a grant was made; in three cases donations were given either as an interim measure or to overcome temporary difficulties; in one case consideration was deferred pending further inquiries; in one case no grant was made.

**Applications for Further Assistance**

Twenty cases for further assistance were considered. In eleven cases the grant was renewed; in two cases the grant was increased; in six cases the grant was reduced; one case was deferred for further inquiries to be made.

**Matters Reported**

The Honorary Secretary reported changes in circumstances in fifteen cases and grants were adjusted or donations made.

The death of a beneficiary who had been assisted since 1939 was reported.

**W. B. Peat Memorial Scholarship Fund**

One grant of £30 per annum for three years was made to assist with school fees.

**Christmas Gifts**

It was decided to send small cash gifts to beneficiaries who are resident in Homes.

**Donations in Memoriam**

The Honorary Secretary reported that donations in lieu of flowers amounting to £99 4s had been received in memory of the late Mr B. J. Davis, F.C.A., and that further donations amounting to £64 12s had been received in memory of the late Mr H. Stanley King, F.C.A.

**THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP**

'Seek ye first . . .' is the title of an address which will be given at 6 p.m. on Tuesday next to members of The Accountants' Christian Fellowship at the Hall of the Institute, Moorgate Place, London, EC2, by Mr A. C. Kimpton.



**BIRMINGHAM CHARTERED  
ACCOUNTANTS' CONFERENCE**

A one-day conference of the Birmingham and District Society of Chartered Accountants, presided over by the President of the Society, Mr E. J. Newman, M.A., F.C.A., and attended by 158 members was held at Birmingham University on January 4th. Two papers on the Finance Act, 1960, were presented by Mr S. I. Simon, Barrister-at-law, and an informal talk on 'Humour and the law' was given by Mr E. Ag. Norton, C.B.E., M.A. Mr N. J. Masterton, A.C.A., acted as conference secretary and group leaders were: Messrs D. F. Dodd, T.D., F.C.A., R. B. Dixon, F.C.A., E. T. Worsley, M.A., F.C.A., A. S. Maddison, F.C.A., R. T. Salt, F.C.A., J. C. Lees, F.C.A., S. B. Benbow, F.C.A., C. E. Corney, F.C.A., L. M. Wildbore, F.C.A., W. R. Doherty, T.D., F.C.A., G. Withnall, F.C.A., and N. E. Dunning, F.C.A.

**THE CHARTERED ACCOUNTANT  
STUDENTS' SOCIETY OF LONDON****Next Week's Meetings**

The following meetings of the London Students' Society will be held next week:

*Monday*, Visit to Martins Bank (limited number).

*Wednesday, 5 p.m.*, at the Institute: Meeting to welcome new members.

*7.30 p.m.*, at Chelmsford: Quiz competition between Chelmsford and Southend branches.

*Friday, 5.15 p.m.*, at the Institute: Introductory course lecture on 'How to study', by Mr R. J. Carter, B.COM., F.C.A., Secretary of the Students' Society.

Dinner dance at *The Royal Hotel*, Luton.

*Saturday*, Badminton v. King's College.

A new group, to be known as 'The Lindsay Group', has been formed for those who attended the 1960 residential course at Oxford and also for any student who has passed the Intermediate examination. The group hopes to organize social and sporting activities, also talks and discussions on general business subjects with a particular interest in suitable careers for members to follow after qualifying.

Further details are available from the group secretary, Mr J. Hugh B. Foster, 12 Conway Road, Wimbledon, SW20. Telephone: Wimbledon 3573.

**MANCHESTER CHARTERED  
ACCOUNTANTS' STUDENTS' SOCIETY**

'Commercial fraud' will be the subject of a talk to be given on January 26th by Detective-Inspector C. Horan, of Manchester City Police, Commercial Branch C.I.D., at the Chartered Accountants' Hall, Fountain Street, Manchester, at 6 p.m. Further meetings at the Chartered Accountants' Hall, also at 6 p.m., have been arranged as follows:

*February 2nd*: 'Taxation - to bring you up to date', by Mr H. A. R. J. Wilson, F.C.A., of H. Foulks Lynch & Co Ltd.

*February 9th*: 'What is an industrial consultant', by Mr J. W. Sheldon, Supervising Consultant, Associated Industrial Consultants Ltd.

*February 16th*: 'The basic principles of punched-card accounting, introducing the various machines', by a representative of International Computers and Tabulators Ltd.

*February 23rd*: 'Application of punched-card equipment, including the use of electronic calculators', by a representative of International Computers and Tabulators Ltd.

All the above meetings will be preceded by tea and biscuits at 5.30 p.m.

**SEVENTY-FIVE YEARS AGO**

FROM *The Accountant* OF JANUARY 16th, 1886

***Institute of Chartered Accountants in  
England and Wales***

At a meeting of the Council, held at the offices of the Institute, 3 Copthall Buildings, E.C., on the 13th January, there were present, Mr. W. W. Deloitte, Vice-President (in the chair), Messrs J. W. Barber, J. Bath, J. Beddow, J. C. Bolton, E. Carter, W. Cash, D. Chadwick, Arthur Cooper, J. Davies, W. Edmonds, J. G. Griffiths, C. F. Kemp, G. B. Monkhouse, A. Murray, F. Nicholls, C. L. Nichols, H. G. Nicholson, E. T. Peirson, T. W. Read, J. J. Saffery, T. G. Shuttleworth, G. E. Swithinbank, F. Tendron, J. H. Tilly, F. Whinney.

... A deputation from the Manchester Society of Chartered Accountants attended, for the purpose of requesting the Council to make arrangements for opening a branch library and reading-room at Manchester. It was resolved:—

"That, having regard to the number of Members in the Manchester district, a sum not exceeding £200 be paid out of the funds of the Institute towards the expenses of establishing a library and reading-room at Manchester, and a further grant not exceeding £100 annually, during the pleasure of the Council, towards the annual expenses of maintaining the said reading-room and library; provided that an equal sum both for first cost and annual expense be provided by local subscriptions, and that the rooms be open to all members of the Institute. Ownership and other details to be referred to the General Purposes Committee.

The Vice-President informed the deputation that it would be necessary for the Council to take legal advice as to whether the proposed establishment of a branch library and reading-room was within the powers conferred by the Charter.

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# THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

## Results of Examinations held in November 1960

The places and prizes in the Final examination have been awarded on the combined results of both parts where the concluding part has been passed in either May 1960 or November 1960.

### FINAL EXAMINATION

*First Place, 'Arthur Collins Memorial' Gold Medal and the Institute Prize of £10 10s*  
Gillard, Bernard Anthony, Comptroller's Department, London C.C.  
(Passed Part B in November 1960 and Part A at a previous examination.)

*Second Place and Prize of £5 5s*  
Marks, James Maurice, County Treasurer's Department, Nottinghamshire.  
(Passed Part A in May 1960 and Part B at a previous examination.)

*Third Place and Prize of £3 3s*  
Matthews, Donald, Borough Treasurer's Department, Swansea.  
(Passed Part B in May 1960 and Part A at a previous examination.)

*Fourth Place and Prize of £2 2s*  
Boardman, Harold James, Borough Treasurer's Department, St Helens.  
(Passed Part B in May 1960 and Part A at a previous examination.)

*Awarded the 'Electricity' Prize of £6 6s for the highest marks of candidates from the Electricity Supply Industry*  
Helmore, Reginald Harold, Group Accountant's Department, Devon Group, South-Western Electricity Board.  
(Passed Part B in November 1960 and Part A at a previous examination.)

*Awarded the 'Hospital Service' Prize of £5 5s for the highest marks of candidates from the hospital service*  
Roberts, Gerald George, Finance Department, United Cardiff Hospitals.  
(Passed Part B in November 1960 and Part A at a previous examination.)

### PART A

*Awarded the 'John Elliott Memorial' Prize of £10 10s for Advanced Accountancy*  
Marks, James Maurice, County Treasurer's Department, Nottinghamshire.  
(Passed Part A in May 1960.)

*Awarded the 'Philip Howes Memorial' Prize of Books to the value of £10 10s for Local Government Finance*  
Pearson, Derek, District Audit Department, Ministry of Housing and Local Government.  
(Passed Part A in May 1960.)

*Awarded the 'H. R. Ralph' Prize of £10 10s for Auditing*  
Marks, James Maurice, County Treasurer's Department, Nottinghamshire.  
(Passed Part A in May 1960.)

Atkinson, R., West Bromwich C.B.	Eke, J. F., Eastbourne C.B.	Hubble, A. E., Brierley Hill U.D.C.
Berriman, J. K., Yorkshire (East Riding) C.B.	Ellis, F. W., Ministry of Housing and Local Government.	Humber, A. J., Ministry of Housing and Local Government.
Best, G. A., Reigate B.	Ellis, M. E., Worcester C.B.	Iles, D. R., Swindon B.
Bidwell, B. S., Dorking U.D.C.	Evans, R. F., Buckinghamshire C.C.	Jackson, L. J., Bentley-with-Arksey U.D.C.
Birch, R. T. G., Staffordshire C.C.	*Fieldhouse, B., Hampshire C.C.	Jackson, M., Lichfield B.
Bloore, W. F., Nottinghamshire C.C.	Fisher, S., Stratford on Avon B.	Jenkins, P. W., Preston C.B.
Briggs, J. C., Buckinghamshire C.C.	Fletcher, K. A. S., Montgomery C.C.	Jobling, B. S., Monmouthshire C.C.
Bristow, M. J., Hertfordshire C.C.	Gibbons, A. J., Ministry of Housing and Local Government.	Kelk, E., Sheffield C.B.
Bullick, S. R. S., Worthing R.D.C.	Greenwood, R. J., Rochdale C.B.	Lansdale, A., Yorkshire (West Riding) C.B.
Butler, G. E., Isle of Ely C.C.	Halfpenny, D., Norwich C.B.	Little, D. C., Ministry of Local Government and Social Welfare (Northern Rhodesia).
Butt, B. A., Poole B.	Head, C. L., Bedford B. •	Logan, L., Manchester C.B.
Caines, A., Newport (Mon.) B.	Hewitt, V. J., Kingston upon Thames R.B.	Longley, D. M., Nottingham C.B.
*Candler, R. W., Royston U.D.C.	Holley, R., Motherwell.	Lord, J. D., Rochdale C.B.
Christie, E. C., Moray & Nairn C.C.	Horton, P. B., Luton B.	Lubbock, K. N., Norwich C.B.
Clucas, B., W. H. Walker & Co, Chartered Accountants.	Hoskins, C. W. W., London C.C.	Marriott, J. M., Morley B.
Cranston, D. G., Carlisle C.B.	*House, A. E., Ministry of Local Government and Social Welfare (Northern Rhodesia).	Matthews, R. D., Blackpool C.B.
Davies, I., Carmarthenshire C.C.	Hubbard, E., Morley B.	McKeag, J. G., Durham C.C.
Davies, R. L., Swansea C.B.		
Doore, F. R., Leicestershire C.C.		

\* Passed Part B (or Part 1) at a previous examination.

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- Meakin, F. H., Lichfield R.D.C.  
Mockford, J., London C.C.  
Moore, B. W., Ministry of Housing and Local Government.  
Morley, A. R., Wallsend B.  
Newton, J. D., Blackburn C. B.  
O'Donoghue, R., Wardle U.D.C.  
Odukoya, E. A., Lagos Town Council.  
Palk, N. T., Barnes B.  
\*Preece, G. T., Berkshire C.C.  
\*Price, B. J., Egham U.D.C.  
Price, G. A., Southend-on-Sea C.B.  
Price, N. D., Ebbw Vale U.D.C.  
Roberts, P. G., Blackburn C.B.  
Rudd, R., Guildford B.  
Rudman, E. C., Manchester C.B.  
Salter, D. E. H., Cardiff C.B.  
Sanders, D. F., Guildford B.  
Saunders, A. E. C., Worthing B.  
Sharples, M., Rochdale C.B.  
Shone, R. F., Kenilworth U.D.C.  
Smith, L. V., Nairobi.  
Smith, R. G., Essex C.C.  
Spratley, M. J., Salop C.C.  
Squires, R., Worthing B.  
\*Thompson, G., Chester C.B.  
Thorburn, K. G., Ringwood and Fording-bridge R.D.C.  
Toogood, J. E., Cardiff C.B.  
\*Vaughan, E., Manchester C.B.  
Veysey, R. F., Cardiff C.B.  
Vickery, O. C., Christchurch B.  
Webb, J. E., Newbury R.D.C.  
Webb, S., Bedford B.  
Wood, H., Manchester C.B.  
Woodeson, A. R., Worthing B.  
Worden, R. C., Lancashire C.C.  
Wright, D. J., Warrington C.B.

\* Passed Part B (or Part 1) at a previous examination.

### PART B

*Awarded the President's Prize of £5 5s for the highest marks in Part B*  
Gillard, Bernard Anthony, Comptroller's Department, London C.C.

*Awarded the 'G. A. Johnston (Dundee)' Prize of £3 for Statistics*  
Piper, James Harry Edgar, Borough Treasurer, Liskeard.

- \*Addison, F., Whitley Bay B.  
\*Alcock, R., Manchester Regional Hospital Board.  
Almond, E., Lancashire C.C.  
\*Ammann, B. C., Watford B.  
\*Artus, D., Gloucestershire C.C.  
\*Barnes, E. A., Nottingham C.B.  
Barrie, J. N., Cumbernauld Development Corporation.  
\*Border, K., Windsor B.  
\*Brown, B., Ministry of Housing and Local Government.  
\*Brown, C. R., Warwick B.  
\*Butler, P. J., West Bromwich C.B.  
\*Cainey, C. E. J., Derbyshire C.C.  
\*Chalk, W. J., Midhurst R.D.C.  
\*Clarke, P. W., Weymouth and Melcombe Regis B.  
\*Clews, D., Chester C.B.  
\*Cliff, W. R., Yorkshire (North Riding) C.B.  
Cole, D. T., Weymouth and Melcombe Regis B.  
\*Cooper, B., Derbyshire C.C.  
\*Davidson, H., Newport (Mon.) B.  
Dempster, C. I., No. 5 (Wakefield) Sub-Area, Yorkshire Electricity Board.  
Ellam, D., Morley B.  
\*Else, D. M., Boston B.  
\*Firth, A., Oswestry B.  
Ford, K. G., Staffordshire C.C.  
\*Fowler, D., Nairobi.  
\*Gillard, B. A., London C.C.  
\*Gotch, J. K., Hemel Hempstead B.  
\*Gudgeon, R. B., Doncaster C.B.  
\*Haigh, D. J., Cumberland C.C.  
\*Hampton, E. R., Cannock R.D.C.  
\*Hardman, O. A., Mansfield B.  
\*Hardy, D. L., Northern Rhodesia Government.  
\*Hartley, J. R., Manchester C. B.  
\*Helmores, R. H., Devon Group, South-Western Electricity Board.  
\*Hepburn, A. D., Glasgow.  
Hexter, R. G., Derbyshire C.C.  
\*Heys, L., Burnley C.B.  
Hodgkiss, R., Bolton C.B.  
\*Hooper, A. J., Fareham U.D.C.  
Hustwick, I., Aberdeen.  
\*Johnston, J., Leicester C.B.  
Jolley, B., St Helens C.B.  
\*Landon, M., Hythe B.  
\*Mahoney, D., Newport (Mon.) B.  
\*Marks, K. J., Hoddesdon U.D.C.  
\*McIntosh, R. A., Perth.  
\*Morgan, F. M., Camberwell B.  
\*Mulholland, J. T., Manchester College of Science and Technology.  
Newman, P. H., Portsmouth C.B.  
Noble, M. J., Bedworth U.D.C.  
\*Norton, I. W., Orpington U.D.C.  
\*Ong, H. S., Wallasey C.B.  
\*Parkinson, R., Bolton C.B.  
\*Parkinson, R., Brighton C.B.  
Penny, W., Parkside H.M.C.  
Perrett, W. J. G. T., Hove B.  
\*Piper, J. H. E., Liskeard B.  
\*Quantick, M. J. le P., Ministry of Housing and Local Government.  
\*Randall, G. H. J., Walton and Weybridge U.D.C.  
\*Read, D. E., Southampton C.B.  
\*Roberts, G. G., United Cardiff Hospitals.  
\*Robertson, A. A., South of Scotland Electricity Board.  
\*Rotherham, C., Ellesmere Port B.  
Rudd, S., Taunton B.  
\*Seed, D. W., Coventry C.B.  
\*Smith, D., Bolton C.B.  
\*Streathfield, R. A., Edmonton B.  
\*Thompson, S. M. (Miss), Liverpool C.B.  
\*Turner, W. E., Beverley R.D.C.  
\*Webber, K. J., Woking U.D.C.  
\*Whiteley, P., Brighton C.B.  
\*Wood, T., Barnsley C.B.  
\*Woodman, L. M., Cheltenham B.  
\*Wren, K., Banbury B.  
\*Wright, V. G., Kettering R.D.C.

\* Passed Part A (or Part 1) at a previous examination.

### Summary of Results

	Intermediate		Final Part A		Final Part B		Total	
	No.	per cent	No.	per cent	No.	per cent	No.	per cent
Passed .. .. .	90	37	89	40	75	47	254	41
Failed .. . . .	154	63	134	60	83	53	371	59
	244		223		158		625	

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# THE ACCOUNTANT

ESTABLISHED 1874

JANUARY 28TH, 1961

VOL. CXLIV. NO. 4493

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## Taxes in the Affluent Society

**A**MIDST all the discussion of Budget prospects only two conclusions can be drawn with any confidence. The first is the chastening thought that Government expenditure in 1961-62 will be higher than in the past year; the second is that this increased expenditure will barely be matched by the higher yield of taxes to be expected in the coming financial year, even if the current rates are maintained. The Exchequer returns to date offer little consolation; only an incurable optimist could foresee an overall deficit on the anachronistic Budget accounts of less than £300 million.

Yet, even if MR SELWYN LLOYD is unable to mark his maiden Budget by reducing the average taxpayer's overall burden, he could go down to posterity as the Chancellor who revitalized fiscal policy and adapted it to the needs of the 1960s. There is an urgent need at the present time to stimulate production, to increase investment and exports and, correspondingly, to reduce consumer spending and imports. Monetary policy has exerted an undeniable deflationary influence and, given its obvious limitations, then, as SIR OLIVER FRANKS in his recent address to the shareholders of Lloyds Bank has stated, 'much as we may all dislike taxation . . . we cannot afford not to use the Budget as a method of regulating the economy'.

Apart from the fact that taxes are too high - but there were similar complaints when the income tax was 5d in the £ - the existing fiscal structure contains two real bones of contention. The first is that direct taxes, more especially the combined effect of income tax and surtax, are so high that they discourage effort and initiative in a key sector of the economy, i.e. management. The second is the inequitable impact of purchase tax which falls at high rates on relatively few products, and the consequences for producers of this fiscal discrimination against their goods are exaggerated by the frequent and arbitrary changes in rates.

According to some critics, the opportunity for mitigating the adverse effects arising from these two taxes is now present. For some years past informed public opinion has felt that some realignment of the fiscal burden was needed in the modern inflation-bound economy. As recently as 1958 MR HEATHCOAT AMORY, as Chancellor of the Exchequer, was urged to extend indirect taxation as an anti-inflationary measure and, in particular, to convert the purchase tax into a low flat rate sales tax. In the course of his Budget address he explained why, in the Treasury's view, such a proposal 'was something of a mirage, and the same is true of a turnover tax'. To start with, such a tax would have to provide a

yield equal to the present purchase tax of nearly £500 million, and the belief that such a tax could be sufficiently broadly based to permit the imposition of a nominal rate was unfounded. Nearly one-third of consumer expenditure is already on goods subject to purchase tax, while a comparable figure is spent on food. Of the expenditure on services, the biggest item is the cost of house accommodation. According to MR AMORY, this left less than £1,000 million of expenditure on a variety of untaxed goods – 'in fact a whole host of things which have at various times in the past been deliberately exempted from tax'.

The fact nevertheless remains that it is not so much rising money incomes themselves which generate inflationary price spirals; it is the fact of their spending. If consumption expenditure could be cut, then resources would become available for expanding our exports and increasing our investment. Unfortunately, to raise the prices of consumer goods is to invite demands for compensatory increases in wages and salaries; a policy which, according to the P.E.P. report previously discussed in these columns<sup>1</sup>, has greatly contributed to our present economic *malaise*.

At the turn of the century, four-fifths of United Kingdom tax revenue was derived from indirect taxes; even in 1938 the proportion was as high as 60 per cent. During the past decade, however, indirect taxes have contributed a declining proportion of total tax revenue from 47.5 to 45 per cent. In contrast, income tax and surtax together now produce over 46 per cent of the total revenue as against only 40 per cent a decade ago, although the relative contribution of the profits tax has been almost halved. To the extent that direct taxation is more progressive and the older type of indirect duties were highly regressive, this shift of emphasis to direct taxation is to be welcomed on grounds of equity. At the same time, indirect taxes have become far less regressive than in the past.

It is really an abuse of language to talk of regressive indirect taxation when between them the tobacco and alcohol duties raise £1,200 million of revenue. Opinions may vary, but are cars, television and radio sets so necessary to our well-

being that they should not be taxed as luxuries, even if many households still pay more in rental and hire-purchase payments for these luxuries than they do for their housing? Against such facts, it is difficult to believe that another penny on a packet of cigarettes, or shilling on a bottle of wine would really 'depress workers' living standards'.

In a new Hobart Paper published last Monday for the Institute of Economic Affairs<sup>2</sup>, DR A. R. PREST urges the gradual transformation of the purchase tax into a retail sales tax at rather lower, as well as fewer, rates than the present tax. While acknowledging the administrative difficulties of a retail stage tax, DR PREST appears to believe that the concentration of retailing which is at present gathering momentum will before long enable such a modification of the purchase tax to be made. For example, DR PREST suggests that where there are few retailers – as with cars – it could be introduced at an early date.

It is all too easy to under-estimate the very real problems of collection, which are paramount in taxation, quite apart from the reactions of wage-earners. A more practicable approach to the immediate Budget problem would be to extend the scope of purchase tax over a much wider range of goods, as well as moving some goods into the highest rate brackets. Nor does there seem to be any valid reason for exempting certain services from tax. For example, some £80 million a year is spent on women's hairdressing; and could not hotel and restaurant bills be surcharged with a nominal tax? Worthy of support is DR PREST's proposal that sweets and soft drinks should be taxed. If nothing else, it would help the overstrained dental profession.

The real obstacle to the formulation of a new fiscal policy, which would encourage the producer and penalize the spender, is the probable reaction of organized labour, both manual and white-collar. As MR BUTLER found to his cost, even minor increases in indirect taxes which were offset by income tax concessions provoked excessive wage claims. As long as people believe that the only good tax is the one that other men pay, we can be sure that inflation and balance of payments crises will recur with monotonous regularity.

<sup>1</sup> *Growth in the British Economy*. P.E.P. Report. See *The Accountant*, dated November 5th, 1960, at page 577.

<sup>2</sup> *The Future of Purchase Tax*, by A. R. Prest. Hobart Paper No. 8. Barrie & Rockliff, London. Price 3s 6d.

# Capital Issues and the Accountant

## II—STOCK EXCHANGE REQUIREMENTS

by GORDON CUMMINGS, F.C.A.

**W**HILE the method and details of a capital offer are being settled, the issuing house is at work drafting the prospectus or statement, using as the basis the information gathered together during the preliminaries, its own inquiries and the investigation by independent accountants. Where needed, it also obtains independent valuations of properties or reports by acknowledged experts on new processes, patents or, as with mining and oil ventures, bore-hole results. The drafting has to take account of two sets of requirements. First, the Companies Act lays down some fairly exacting minima. Secondly, the Council of the London Stock Exchange insists on even more information to ensure that investors get a fair deal. It is with the second requirement that this article is mainly concerned.

### Share and Loan Department

Appendix 34, which is under constant observation for necessary revisions, sets out the requirements for quotation under Rule 159 (2) of the London Stock Exchange. An issuing house wishing to avoid delays will ensure that the necessary statements, figures and documents are therefore as complete and clear as possible when the brokers to the issue submit them with the formal application to the Share and Loan Department, which is responsible for the routine work.

The department's function in the examination of prospectuses and advertised statements may be summarized under three main headings. First, it is concerned with whether the Council's written requirements have been observed. Secondly, whether the machinery for exercising the various rights of shareholders is effective. Thirdly, and most important, what further information should be made available to the investor to enable him to make a fair assessment of the proposition.

So far as the work of the accountant is concerned, the report made by the firm investigating on behalf of the issuing house, or the auditors, should be wide enough to form the basis of the report which appears in the prospectus or statement. If there is any doubt on particular points, an issuing house which knows its job will try to clear it beforehand with the Share and Loan

Department. Now we can look at the requirements laid down by the Stock Exchange.

At least fourteen days before publication or posting there must be lodged with the department, amongst other items, four proofs of the prospectus or its equivalent. One copy goes to each of three sub-departments, the fourth being kept as a spare. 'Records' checks on the standing and reputation of the directors, secretary, auditors, lawyers, bankers' issuing house, technical experts and others concerned—the department, in addition to its own extensive files of information, has other means of verifying the bona fides and standing of all concerned; and it maintains close liaison with the fraud departments of the City of London Police and of Scotland Yard. The legal section looks into the financial and legal aspects and, where required, seeks elucidation or further information. The document section uses the third copy to check technical matters such as the issue programme, wording of ancillary documents; and for the file which provides the history of each company.

In addition to the routine items such as details of the capital structure, borrowing powers, history of the business and its officers, the Share and Loan Department will want, where appropriate, information on pertinent matters such as the property owned, management and arrangements for its continuity, number of employees, any special arrangements with associated companies, the bases on which estimates of current trading and profits are made, details of large or controlling shareholdings, and provision of clearance certificates for, or indemnities against, surtax and death duties.

### The Written Statement

While Appendix 34 stipulates that a prospectus, offer for sale or other advertised statement should include a report by the auditors or by qualified accountants on the profits and losses for the ten preceding financial years, neither it nor the Companies Act lays down the basis of computation. In practice, the bases of calculation and the adjustments made are generally indicated in the report. To ensure that the Share and Loan Department obtains the information required in sufficient detail and on a uniform basis, it is sug-

gested, however, that the 'written statement' should follow certain lines and be divided into two sections. The basic requirements can be summarized as follows:

*Section A* should begin with the net increase or decrease in the profit and loss account balance (debit or credit) at the start and end of each financial period concerned. In arriving at the figures, details should be given of additions or deductions for items which the Companies Act lays down should be shown separately in profit and loss accounts, and particularly of directors' emoluments otherwise than the estimated value of benefits received otherwise than in cash for any period to which the Act did not apply. Apart from cases where the amounts are not material, charges for depreciation, amortization and diminution of fixed assets should be subdivided to show debits for which (a) no corresponding tax allowances were made, and (b) tax allowances were made; plus, in the latter instance, comparative figures showing the tax allowances calculated on the most appropriate basis.

A convenient way of dealing with such matters in other than the simplest cases is, of course, a separate columnar statement setting out for each period:

- (i) Depreciation etc. actually charged in the accounts; any additional charges made in arriving at the adjusted profits; the total of these two items apportioned to show the amounts on which tax allowances were and were not made; and the tax allowances actually granted.
- (ii) Analyses under appropriate heads of interest charges other than on debentures and other fixed loans.
- (iii) Material revenue items not dealt with through the profit and loss account.

The figure finally arrived at is the normal profit for the year before taking account of items which the Companies Act requires to be stated separately.

*Section B* should start with the final profit and loss figures shown in Section A and give details of the adjustments made in arriving at the amounts set out in the report of the auditors or accountants, together with the reasons for making such adjustments.

Other matters covering the 'written statement', which must be submitted at least ten days before it is proposed to publish the prospectus or other advertisement, include:

- (a) In the case of a holding company, a summary combining the final figures where

details are given of the profits or losses of subsidiaries, separate companies or groups of companies.

- (b) Where material, the basis of dealing with overseas currencies in the case of businesses with foreign interests.

The 'written statement' should be accompanied by a letter from the reporting accountants to the Share and Loan Department confirming that all appropriate adjustments have been made and that no other adjustments have been included in the relevant figures. Although Appendix 34 calls for profit details for a minimum of ten preceding years, application may be made to reduce the period to a smaller number where inclusion would be irrelevant or misleading; or where the business has not been in existence for ten years.

### Confirmation on Stock-in-trade

In view of the recent recommendation by The Institute of Chartered Accountants in England and Wales on the valuation of stock-in-trade, it is particularly noteworthy that the Stock Exchange insists on auditors sending to the Share and Loan Department a letter confirming that they have satisfied themselves that stocks and work in progress (if any) have been properly taken and valued *throughout the period covered by their report*. The reporting accountants also have to confirm in writing that they are satisfied that having regard to any qualifications or notes in their report, depreciation provisions charged in arriving at the adjusted profits are adequate and proper, particular attention having been taken of (a) assets on which it has been the company's practice to make no depreciation or amortization provision; (b) such provisions which must be found out of taxed profits; and (c) the effect of any actual or contemplated revaluation of fixed assets.

As these and other requirements indicate, the Stock Exchange wants a great deal of information before it will give the signal to the issuing house that it can go ahead with the final stages of an offer. The requirements as to the accountants' report include, incidentally, cases where share issues are to be applied directly or indirectly to the purchase of a business or the shares of a company which is, or will become, a subsidiary.

During the time the department is making its inquiries it may be advisable to discuss the method of making the offer. Despite the lower cost of a placing, the Council of the Stock Exchange does try to keep a reasonable balance between convenience and fairness to investors. On the one hand, there may be no objection to a placing of fixed-interest securities running into



millions of pounds. On the other hand, if an offering of equity shares is likely to prove popular it may insist on a public offer, even though the amount involved may be no more than a few hundred thousand pounds. As a final check, there

is a gap of at least forty-eight hours between the advertisement of the prospectus and consideration of the grant of a quotation. This gives members of the public an opportunity to draw attention to any inaccuracies or misleading statements.

## Settlements and 'Arrangements'

by A BARRISTER-AT-LAW

*The statutory definitions of 'settlor' and 'settlement' in Part II of Chapter XVIII of the Income Tax Act, 1952 (relating to settlements on children), ensure that where there is an 'arrangement' the income of the settlement is to be treated as that of the parent notwithstanding that he is not the settlor. In a recent case in the High Court there was held to be no 'arrangement' between settlor and parent and the claim of the Revenue failed.*

IT is well known that a parent cannot settle cash or shares on an infant and unmarried child of his so as effectively to save tax unless the income of the trust fund is accumulated; and even then the provision of Sections 398 and 399 of the Income Tax Act, 1952, must be stringently observed. If the income is exempted from treatment as that of the settlor by reason of its being accumulated and afterwards sums are paid to or for the benefit of the infant unmarried child, those sums are to be regarded as income, whether they come out of capital or otherwise, until payments of all kinds to that child, or other infant unmarried children of the settlor, equal all income paid or accumulated. It is immaterial whether the advancement of capital is made under the terms of the settlement or under Section 32 of the Trustee Act, 1925, or otherwise – the advancement, grossed up at the standard rate of tax, will be treated as income of the settlor to the extent to which the accumulated income is unabsorbed.

It frequently happens, therefore, that settlements on children are made by grandparents, uncles and other well-disposed persons, but even so the Revenue has been astute to ensure that its interests are adequately safeguarded. Section 403 of the Act of 1952 defines a 'settlement' (for the purposes of settlements on children) as including:

'any disposition, trust, covenant, agreement, arrangement or transfer of assets'

while 'settlor', in relation to a settlement, includes:

'any person by whom the settlement was made or entered into directly or indirectly, and in particular (but without prejudice to the preceding words of this definition) includes any person who has provided or undertaken to provide funds directly or indirectly for the purpose of the settlement, or has made with any other person a recipi-

rocal arrangement for that other person to make or enter into the settlement'.

Circumstances can thus arise in which a settlement made in favour of children by a person other than a parent of the children may be treated for tax purposes as a settlement made by the parent. In *Copeman v. Coleman*, (22 T.C. 594; 18 A.T.C. 109), for example, a father caused a company which he controlled to allot shares to his children for a nominal consideration, and then to declare a tax-free dividend in excess of the consideration. The father claimed repayment of tax on the dividend on behalf of the children and the company then made a call equal to the amount of the dividend. It was held that this was not a bona fide commercial transaction, but was an 'arrangement' within Section 21 of the Finance Act, 1936 (now Section 403 of the Act of 1952). Again, in *C.I.R. v. Pay* (36 T.C. 109; 34 A.T.C. 223) a settlement of a capital sum on trust for the settlor's grandson coupled with a loan of a similar amount by the trustees of the settlement to the settlor, charged on property of the settlor, was held to be one transaction and so caught within the tax net.

### An Alleged 'Arrangement'

In the recent case referred to at the head of this article – *Crossland v. Hawkins* – the facts were as follows: on December 3rd, 1954, a company was formed with a capital of £100, divided into one hundred shares of £1 each, of which two shares were issued to the subscribers of the memorandum of association, from whom they were subsequently transferred as to one share jointly to the taxpayer's wife and a chartered accountant and as to the other share to the accountant alone. The taxpayer was a director of the company but was

not at any time a shareholder. On December 10th, 1954, a service agreement was made between the taxpayer and the company whereby the taxpayer agreed to render to the company his services as an actor on the terms and conditions therein contained.

By a settlement dated March 3rd, 1955, and made between the taxpayer's father-in-law of the one part and the taxpayer's wife and the accountant (the trustees of the settlement) of the other part, the father-in-law settled £100 of his own money for the benefit of the taxpayer's children and remoter issue, but the taxpayer did not supply the settlor with any money for that purpose. The trustees, by a deed of appointment of even date with the settlement and expressed to be supplemental to it, revocably appropriated the trust property from the date of the settlement in trust for such of the three children of the taxpayer as should attain the age of 25 years in equal shares. On March 31st, 1955, the trustees used the funds of the settlement to subscribe for the ninety-eight unissued shares of the company. The taxpayer was aware that steps were being taken to put into effect proposals of the accountants and solicitors concerned but he was not consulted with regard to them. He was not present at any meeting when the matter was discussed or when the deed of the settlement was made.

The taxpayer was under contract to act for two film-producing companies but those contracts were not exclusive and left him free to enter into other contracts. During the year to April 30th, 1957, he acted in a film *Fortune is a Woman* and the company received £25,000 for providing his services. Out of this sum the company paid him £900 for twelve weeks' work at the rate of £75 a week, being £50 a week salary plus £25 a week for expenses. On October 18th, 1956, the company declared and paid an interim dividend for the year to April 30th, 1957, of £590 free of tax, which the trustees of the settlement allocated and paid for the benefit of the children. The taxpayer claimed repayment of the income tax suffered in respect of this dividend on behalf of his children, but the Revenue refused payment and he appealed to the General Commissioners.

The Crown contended that (i) the formation of the company, the service agreement, the settlement and the acquisition by the trustees of shares in the company together formed an 'arrangement' within the meaning of Section 403 of the Act of 1952 and was thus a settlement within that section; (ii) in relation to that settlement the taxpayer was the 'settlor' within Section 403 as being

either the person by whom the settlement was made or entered into directly or indirectly or as being the person who had provided the funds directly or indirectly for the purpose of the settlement; and (iii) accordingly, under Section 397 of the Act (which causes the income of settlements made in favour of the settlor's children to be the settlor's income for tax purposes) the income in question fell to be treated as the income of the taxpayer. The Commissioners decided that there was no 'arrangement' to which Section 397 could apply and that the taxpayer was not the 'settlor' within Section 403. They accordingly allowed the claim for repayment on figures agreed between the parties and the Crown appealed.

### The Judgment

Danckwerts, J., said that, taking the settlement of March 3rd, 1955, by itself, it was perfectly plain that the taxpayer was neither a beneficiary nor a settlor. At the time of the settlement he had brought nothing whatever into it and it was purely through an application of the definitions of 'settlement' and 'settlor' in Section 403 of the Act of 1952 that it was sought to treat him as a settlor for the purposes of the Act. The first point to notice was that although the taxpayer was a director of the company he was not a shareholder, and it was quite plain that he was not the only director. He had been, of course, a concurring party in the issue of shares to the trustees of the settlement but only in his capacity as director, and the company's articles required a minimum of two directors. The provisions of Table A of the Companies Act, 1948, which were incorporated in the company's articles of association, also required a quorum of two directors for a directors' meeting to be valid. So the taxpayer had been only a participant in the issue of shares to the trustees of the settlement as an officer of the company and he could not be said to have controlled the company.

The second point to observe was that when the company had been formed and when the taxpayer had entered into the service agreement with the company the settlement had not been created, so that there could not have been any actual connection between the transactions. If a settlement 'involving eventually the purchase of the shares had been evolved as a whole with the formation of the company and the execution of the services agreement', it would have been possible to say that there had been an 'arrangement' within Section 403; but the existence of any such arrangement had been negatived by the findings of the Commissioners. It was a most material

factor in the case that the taxpayer had not been a party in any way to any scheme involving the formation of the company, the service agreement, and the settlement which conferred benefits on the taxpayer's children arising from the first transactions carried out by the company.

What had happened eventually was that some £25,000 had been received, not by the taxpayer, but by the company as a result of professional acting on the part of the taxpayer. It could not be said that that was not a proper commercial transaction since it could be completely explained by the taxpayer's desire to minimize his liability to surtax. The Revenue, however, had sought to link it up with the settlement, but the taxpayer could not be made responsible for the provision of the dividend; he had been merely one of the directors of the company and it had not been his controlling interest which had caused the payment of money to the trustees. It was true that the services provided by the taxpayer had enabled the £25,000 to be earned and paid to the company, but still it was not the taxpayer's money which had gone to pay the dividend having regard to the contract which he had entered into with the company, and the Crown's appeal would therefore be dismissed.

### Commentary

Satisfactory as the above decision undoubtedly is from the standpoint of the taxpayer it is clear that it hangs, in part at least, on a somewhat slender thread measured by the degree of participation

of the taxpayer in the general 'scheme'. According to the judge, had the four elements in the scheme – the formation of the company, the service agreement, the settlement and the purchase of the shares by the trustees – been evolved as a whole without (presumably) the interposition of a time element between the main stages (viz. the formation of the company and the execution of the settlement) the result might have been otherwise. But his lordship also added that it was a material factor of no small importance that the taxpayer had been in no way a party to the general scheme. This naturally raises an interesting point as to how far a taxpayer can avoid liability under Part II of Chapter XVIII of the Income Tax Act, 1952, by leaving his affairs entirely to his advisers and by blindly following their advice without question or prior discussion, so that he stands entirely aloof and cannot be said to be a party to any 'arrangement'. In the present case it seems not unlikely that the interest of the Revenue was first aroused by the fact that the shares in the company were issued to the trustees of the settlement at a very substantial discount if the gross earnings of the company over a period of twelve weeks are any criterion of value, and that in different circumstances no point might have been taken. But, be that as it may, there is a dearth of authority as to what does or does not constitute an 'arrangement' and the new decision will therefore repay careful study by all concerned or likely to be concerned.

[It has now been made known that the Crown is to go to the Court of Appeal with this case. – EDITOR.]

## Weekly Notes

### Bankers' Speeches

THE chairmen of the four banks whose statements have appeared over the past week, all expressed dissatisfaction with present methods of controlling the country's economy. Lord Aldenham, of the Westminster Bank, criticized in particular the calls for special deposits, pointing out that the Radcliffe Committee had reported strongly against them. Sir Eric A. Carpenter, of Williams Deacon's, and Sir Oliver Franks, of Lloyds, were both concerned with the need to develop more effective and quicker acting instruments of control. The former admitted that hire-purchase controls were quick acting and effective, but deplored their unfairness and the dislocation

caused to the plans of the manufacturers affected. He advocated special financial arrangements to encourage exports and also referred to the success of the Australian import controls and suggested that short-term controls, confined to less essential goods, might be a useful corrective in this country. Pursuing the general argument that we should use everything there is to hand in order to avoid over-drastring application of individual controls, he also advocated temporary variations in some items of taxation.

Sir Oliver Franks favours a more radical solution by switching the emphasis of restriction to consumption through the instrument of payroll taxes, and variations in purchase tax and contributions to welfare services. Such measures might succeed in restricting consumer demand in the first instance, rather than investment demand as at present. They might also emphasize that the labour force is the limiting factor in the economy and help to encourage the use of labour in capital-intensive rather than labour-intensive employment.

While recognizing that most of these proposals have political implications, he emphasized that in a country where more than four-fifths of spendable incomes belongs to those with net incomes below £20 a week it is impossible to restrain consumption without affecting the ordinary man.

Lord Monckton, of the Midland, pays more attention to international financial arrangements. He points out that although in respect of trade and currency transactions the world as a whole enjoys greater freedom than at any time since the thirties, and perhaps since before the First World War, there is still marked irregularity in the ups and downs of domestic business conditions country by country. Policies applied for domestic reasons tend to diverge and thus to intensify difficulties arising in external trade and monetary arrangements. He sees in particular a need for a thorough re-examination of the functions and mechanism of the International Monetary Fund, which was established in a climate strongly influenced by the presumption that for an indefinite period the dollar would be a scarce currency.

While international changes must be more difficult to achieve there is now a strong measure of agreement on the internal steps which should be taken to lessen this country's economic difficulties, though their realization may involve difficult political decisions.

### Credit Clearing

LAST year the credit clearing was launched. Now the final stage of its implementations is nearly with us. As this issue went to press, Sir Oliver Franks, Chairman of the Committee of London Clearing Bankers, announced the inauguration of the third stage – the acceptance by the banks of credits paid in by people without banking accounts. One newspaper previously ventured to forecast that the cost of this service would be sixpence a credit. Such a modest charge would, of course, make it possible for all creditors to send out to their debtors pre-printed credit slips, and this aspect of the scheme will be of some importance for accountants in particular.

The whole scope of credit clearing was discussed in an article in *The Accountant* of September 17th last. A further article going into rather more detail on this final stage will appear in next week's issue.

### Prices, Productivity and Incomes

IN a statement issued last week in response to inquiries about its current activities, the Council on Prices, Productivity and Incomes said that none of the advance industrial democracies had yet solved the problem of achieving stable prices without jeopardizing full employment or a rising standard of living. Their experience has generally been that either money incomes have risen faster than output so that prices have risen, or else restraints have been applied that have checked rising prices but have also set back employment and output.

The Council finds that, generally, profits have risen as much as wages and salaries and concludes that it seems unlikely that the responsibility for rising prices lies with any one section of the community or any kind of institution. By the same token there is a common interest in finding a better way forward. The Council feels, therefore, that it can most usefully contribute to a fuller understanding of the problem, and to its solution, by studying the lessons of experience both at home and abroad, and bringing out some of the factors that affect the course of prices, productivity and incomes. The Council also intends to consult representative bodies on the adequacy of the information on which judgments and decisions are reached.

In general, the Council seeks to encourage the discussion that is constantly in progress on how a free country can maintain full employment, economic growth and rising standards of life and, at the same time, avoid inflation. It welcomes suggestions and will seek the help of those up and down the country who have given thought to these issues.

### Relaxation of Hire-purchase Regulations

IN extending the maximum period for the payment of the balance due under hire-purchase and credit sale agreements to three years in the case of all goods for which a two-year period was previously specified, the Government has had regard to the position of the particular industries affected rather than the country's external balance of payments. The goods affected include cars, light vans and motor cycles, radio and television sets, refrigerators, washing machines and furniture.

In practice, since the rates of deposit remain unchanged, the effect of the new order will probably be felt mainly in the motor industry since a high proportion of the other goods affected are normally bought over a two-year period. Even in the case of cars, the relaxation is unlikely to start a boom in home sales comparable to that which developed when hire-purchase controls were revoked in October 1958. The Government have clearly aimed to steer a middle course between affording some relief to motor manufacturers without encouraging a major increase in home demand at a time when exports are depressed and thus encouraging a further rise in the adverse balance of payments. They have probably been influenced to some extent by statements by the leading manufacturers that, if production continues at a low level too long, it will be difficult to prevent rising costs being reflected in higher prices, which would make any recovery in exports still more difficult.

A further factor which is likely to limit the effect of the new order is that there has been virtually no reduction, during the period when repayments were limited to two years, in the amount of hire-purchase debt outstanding. This stood at £942 million in November 1960, compared with £949 million in April and £964 million in May.

## Engineers and the Budget

THE text has been published of the Engineering Industries Association's Budget proposals recently sent to the Chancellor of the Exchequer by the Association's president, Viscount Davidson. The proposals follow the current pattern fairly closely. First and foremost a reduction of the burden of surtax is called for, with a raising of the exemption limit from £2,000 to £5,000 and the introduction of earned income relief. Next comes a reduction in the standard rate of income tax from 7s 9d to 7s, with the increase of £60 in personal allowance in order to exempt the first £60 now charged at the rather unremunerative rate of 1s 9d, in order to take a large number of people out of the tax field altogether. The Association also asks for a reduction in profits tax rate from 12½ per cent to 10 per cent, with an increase in the exemption limit from £2,000 to £5,000 and abatement up to £20,000. The present discrimination in retirement benefits legislation against so-called 'controlling directors' is criticized, as is the absence of a slab system of rates in relation to estate duty.

The Association does not suggest that all these tax reductions are possible immediately. However, the case for a raising of surtax exemption limits has been well made out and if it were implemented this year it would cause little genuine surprise. The exemption limit for profits tax has stayed much the same for over twenty-three years and here again there is a good deal to be said for raising it. The cases just above the exemption limit are probably unremunerative.

## The Export Outlook

THE eighteenth G.E.C. *Export Guide*, published this week, is not particularly encouraging regarding the export outlook for the first quarter of 1961. It is true that prospects are assessed as good in nineteen countries, improving in three, deteriorating in ten and unchanged in two, while in no major market is the outlook assessed as bad. The ten countries with deteriorating prospects, however, include several of the major Commonwealth markets, indicative of the more competitive conditions facing British exporters in the Commonwealth. This may indicate that in attempting to expand exports to the U.S.A. and to minimize the effects of the formation of the E.E.C. there has been a tendency to neglect the easier Commonwealth markets.

While British exports as a whole have not been able to keep pace with the expansion of world exports, engineering exports have done a good deal better than the average for all industries. Between 1954 and 1959 engineering exports rose by 21 per cent compared with an average of 16 per cent. Even in the engineering field, however, the *Guide* foresees the need for a flexible approach. As overseas countries create their own engineering industries, future demand will increasingly be for components, machinery and whole plants rather than for finished products. Fields in

which prospects are considered particularly good include electronics and instrumentation, aero engines, air and marine navigating equipment and rolling mill machinery.

## O.E.E.C. in 1960

A CERTAIN amount of the glory has departed from the Organization for European Economic Co-operation since the European Economic Community came into existence. The French in particular have not tried to hide their opinion that it should have been allowed to wither away. Nevertheless, O.E.E.C. continues to perform a number of useful functions, notably in the preparation of economic and statistical information and in the continuing work of the European Productivity Agency.

Later in 1961 the new Organization for Economic Co-operation and Development is due to replace O.E.E.C. The new organization is to come into existence as soon as all signatories have ratified the draft convention signed on December 14th, 1960. It will come into existence on September 13th, 1961, if fifteen or more members have ratified it by that time. Canada and the United States will be full members of O.E.C.D. and, therefore, economic co-operation will have some organizational structure on an Atlantic as opposed to only a European basis. It is difficult to foresee how successful O.E.C.D. will be in carrying out its terms of reference of helping to achieve rapid economic growth and full employment among members. The members of the European Common Market are somewhat cool about it but it has to be remembered that the early life of O.E.E.C. was equally precarious and that it achieved prestige and influence largely by having a committee of ministers at its top and always being in existence when economic problems affecting members had to be resolved. Atlantic co-operation is likely to get off to an equally unambitious start but it might travel just as far as its worthy predecessor by quiet persistence.

## The European Free Trade Area

AT a luncheon of the British Import Union at Copenhagen last week the Economic Secretary to the Treasury reviewed the progress made to date since the formation of the E.F.T.A. He noted that the trade figures for the first nine months of 1960 were encouraging, total exports of E.F.T.A. countries to each other showing an increase of 17½ per cent compared with the same period in 1959. Norway, with an increase of 30 per cent, Austria with 29 per cent and Portugal with 25 per cent showed the most important increases.

While British imports from E.F.T.A. countries rose by 31 per cent, the trend of British exports was much less satisfactory. In the case of Anglo-Danish trade, for example, Danish exports to the United Kingdom rose by 6 per cent in the first ten months of 1960, while Danish imports from the United Kingdom

remained virtually steady but fell as a proportion of total Danish imports. In fact in 1960, for the first time West Germany overtook the United Kingdom as the principal supplier of Denmark.

The first tariff cuts under the E.F.T.A. Agreement are so recent that these figures possibly do not fully reflect them. They tend to show, however, that the United Kingdom will not find it easy to offset the anticipated decline in exports to E.E.C. countries by

preferential treatment in the markets of the Seven, and underline the need to reach agreement with the Six. The Economic Secretary in fact stressed that this country has three major immediate tasks in international economic co-operation: to continue to build E.F.T.A. into a successful association; to reach agreement with the E.E.C. and to make the O.E.C.D., referred to in the previous note, an instrument of co-operation on a European-North Atlantic scale.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 61

WE have a big window on the corner of the street, where the two-way frontage sets off our best displays to particular advantage, and the sales manager was supervising a special showing of ladies' evening gowns. Modern wax dummies are beautifully finished and the results looked wonderful even to my amateur eye; scarlet and turquoise and white, mink stoles and lambswool capes and jewellery – a blaze of lavish colour and exotic effect. There was also a row of male dummies in the background in white ties and tails, with top-hats, waiting unobtrusively.

I decided to twist the sales manager's tail a little. All snob value stuff and the wrong impression, I said, copied blindly from flashy magazines. Half of our customers came from ordinary, middle-class homes and their escorts wear simple dinner jackets; I know an impecunious artied clerk who hires his dress suit when he can tear himself away from his studies; let's face it, realism is the key-note of 1961.

The S.M., hardened by his years of experience, suffered this tirade with a twinkling eye and an obscure reference to grandmothers and eggs, but said nothing further. Nevertheless, he called me down the following mid-day and waved a nonchalant hand. The display was changed. In the centre, a sports-coated young man sat at a shining Queen Anne desk, taking notes from our latest balance sheet. The lovely dummies were poised around in beckoning attitudes, but his head was down and his waxen hand raised in stern rejection. It looked most impressive and somehow thought-provoking; the triumph of reason? I suggested. Bang goes sixpence, said the S.M., yon laddie's no fule.

But he was purring with pleasure. The pavement was crowded outside; people were speculating what it meant; the department was doing record business all morning. And at that stage of mutual congratulation, up came a harassed sales-girl almost in tears. Our most important customer was insisting on having

the scarlet crinoline from the very centre of the group; there was no duplicate in stock; it would mean demolishing the display.

Hard on her heels came the trouble-maker in full sail. There she was, our old antagonist Lady Macbeth, her Roman nose tilted arrogantly, her bulbous eyes gleaming; all the imperious hauteur born of her money-bags up in arms to win her point. Yes, she wanted that gown and would not consider a substitute. She was surprised, indeed shocked, that a good customer should be refused such a simple request. In his predecessor's time, she said, raking the sales manager fore and aft, she had never suffered such rudeness, but then *he* knew how to treat his patrons.

Our veteran replied with honeyed diplomacy – ignoring all innuendo and insult – pointing out jovially that she could hardly expect him to pull down his set-piece at short notice. But this evening, without fail, he would promise special delivery. Nothing was too much trouble, she could rest assured. . . .

Appeasement failed lamentably; she pressed on regardless; we must strike our colours. The goods were offered for sale, she said, and she was willing to buy. She insisted that the sale be completed here and now. If we refused, she would consult her solicitor; it was clearly breach of contract or misrepresentation or some such, and she would demand satisfaction.

Seeing the S.M. momentarily staggered, I recalled my textbook paragraph and gave the privateer a broadside from the flank. In legal parlance, the display of merchandise merely invited an offer to purchase; we held ourselves open to consider business; we were not compelled to accept any particular tender. Technically speaking, I said coldly, but with respect, she hadn't a leg to stand on.

She faltered suddenly and I felt sorry for her. After all, she's not young and her ego probably needs struggle and victory to maintain itself. At this psychological moment, the S.M. showed his uncanny flair for the personal approach. 'Dinna ye fash yoursel' with these dom hair-splitting accountants', he interposed. 'I've a new blue mink put by that I saved specially to offer your leddyship first o' them a'. I'd like weel your opinion of it.' She went off with him like a lamb, her face saved.

The question is, what really saved the day for us, my professional knowledge or the salesman's hunch for the well-timed gesture?

# Finance and Commerce

## Steel Financing

THE accounts of the South Durham Steel & Iron Co Ltd, from which this week's reprint is taken, reflect the complications involved in financing major new steelworks projects. South Durham's particular development project was, and still is, at the company's South Works where new steel-making capacity and a new slabbing mill and plate mill are coming into operation twelve months ahead of the programmed date - a striking achievement.

So far as finance is concerned, the major part of the money has come from the Finance Corporation for Industry and from Barclays Bank; the key to the loans provided by these institutions is shown in Note 8 to the accounts, while the extent to which the loans have been and are to be drawn on is shown in the body of the balance sheet. A further £20 million was borrowed from F.C.I. during the year and final financing of the project is being covered by borrowing a further £7.5 million from the bank.

Such a major development scheme, and its attendant financing, has a considerable impact on the shape of the accounts and on the company's net earnings. Gross profits at £8,088,461 against £7,862,556 were at a new peak, but interest charges on such a heavy volume of borrowed money took their obvious toll.

## Carrying the Cost

Due to tax deducted from interest payments there was a credit, so far as tax liability is concerned, of £205,097, and £516,237 has been set aside for equalization of taxation for future years. In addition, a further taxation liability relief of £2 million has been received through investment allowances and this has been deducted from profits for the year along with taxation, reducing the balance of profit after taxation to £2,232,706, compared with £2,692,885 for the previous year.

Basically, the company in the past twelve months was carrying the cost of its development programme without income from the employment of the new assets, although with the plant coming into operation much sooner than anticipated, the forward burden is lightened.

In his statement with the accounts, Mr B. Chetwynd Talbot, T.D., the chairman, expresses the view that more liberal depreciation allowances are

necessary. Included in the complicated steel price structure policy adopted by the Iron and Steel Board there are elements for depreciation and for the rate of return for interest on money.

## More Liberal

'It is the considered view of your directors', Mr Chetwynd Talbot has stated, 'that the Iron and Steel Board should have been more liberal in their allowance for depreciation on plant and machinery and decreased the period adopted for the life of plant and machinery from twenty-five years to twenty years.'

Further, with the existing high level of Bank rate, the chairman considers that the rate of return

### SOUTH DURHAM STEEL & IRON COMPANY LIMITED

#### Profit and Loss Account for the year ended 1st October, 1960

	1960 £	1959 £
Trading Profit (gross) . . . . .	8,066,717	7,847,094
Add:		
Dividends from Trade Investments (gross) . . . . .	27	27
Dividends from other Investments (gross) . . . . .	21,717	15,435
	<u>8,088,461</u>	<u>7,862,556</u>
Deduct:		
Directors' Fees (See also Note 1) . . . . .	9,000	9,083
Auditors' Remuneration . . . . .	2,500	2,500
Staff Pensions and Life Assurance Schemes . . . . .	54,335	48,284
Workmen's Pensions and Life Assurance Schemes . . . . .	103,071	105,546
Provision for Supplementary Non-Contributory Pensions . . . . .	35,000	35,000
Debenture Stocks Trustees' Remuneration . . . . .	1,483	1,575
Depreciation . . . . .	1,850,000	1,650,000
Interest on 5½ per cent. Debenture Stock . . . . .	157,500	157,500
Interest on 6 per cent. Debenture Stock . . . . .	367,385	480,000
Interest on Bank Loan . . . . .	283,781	77,923
Interest on F.C.I. Loan . . . . .	741,700	2,260
	<u>3,605,755</u>	<u>2,569,671</u>
Profit before Taxation . . . . .	<u>4,482,706</u>	<u>5,292,885</u>
Deduct:		
Taxation (Note 2) . . . . .	250,000	1,400,000
Transfer to Investment Allowances Reserve . . . . .	2,000,000	1,200,000
	<u>2,250,000</u>	<u>2,600,000</u>
Balance of Profit after Taxation and Transfer to Investment Allowances Reserve . . . . .	<u>2,232,706</u>	<u>2,692,885</u>
Deduct:		
Dividends paid and recommended, less income tax (Note 3) . . . . .	1,010,908	686,000
Profit retained . . . . .	<u>1,221,798</u>	<u>2,006,885</u>
Deduct:		
Transfers to Reserves (Note 4) . . . . .	1,200,000	2,000,000
Unappropriated Profit . . . . .	21,798	6,885
Balance brought forward from previous year . . . . .	163,890	157,005
Balance of Profit carried forward at 1st October 1960 . . . . .	<u>185,688</u>	<u>163,890</u>



Balance Sheet at 1st October, 1960

	1959 £	1960 £	At Cost, or Net Book Value at 1st October, 1947	1960 £	1959 £
<b>CAPITAL</b>					
Ordinary Shares of £1 each	13,753,843	13,753,843	10,000,000		
Unclassified Shares	4,246,157				
	18,000,000	13,753,843	10,000,000		
<b>CAPITAL RESERVES</b>					
General Reserve (Note 5)	256,802		303,559		
Investment Allowances Reserve	4,830,000		2,830,000		
Replacement of Fixed Assets Reserve	1,750,000		1,550,000		
	6,836,802		4,683,559		
<b>REVENUE RESERVES</b>					
General Reserve	11,845,422		10,845,422		
Contingencies Reserve (Note 6)	103,990		500,000		
Unappropriated Profit	185,688		163,890		
	12,435,100		11,509,312		
	33,025,745		26,192,871		
<b>TOTAL SHARE CAPITAL AND RESERVES</b>					
<b>FUTURE TAXATION</b>					
Amounts set aside for:					
Income Tax	—		72,774		
Equalisation of taxation	3,157,926		2,641,689		
	3,157,926		2,714,463		
<b>LOANS</b>					
5½ per cent. Debenture Stock 1976-81—Authorised and Issued	3,000,000		3,000,000		
6 per cent. Second Debenture Stock 1978-83—Authorised and Issued (Note 7):					
Non-Convertible	3,753,843		8,000,000		
Convertible	492,314		5,000,000		
Barclays Bank Ltd. (Secured)	4,246,157		1,500,000		
Finance Corporation for Industry Ltd. (Secured)	20,500,000		17,500,000		
	32,746,157				
In addition advances of up to £7,500,000 are available (Note 8)					
<b>CURRENT LIABILITIES AND PROVISIONS</b>					
Trade Creditors, including retentions on Capital Expenditure	8,331,515		8,505,311		
£3,998,215	1,109		1,127		
Amount due to Subsidiary Company	250,637		1,416,265		
Current Taxation	2,506		2,181		
Unclaimed Dividends and Debenture Stock Interest	819,844		554,777		
Amount set aside for Renewals, Relinquings and Repairs, and Land Restoration	129,272		119,579		
Provision for Supplementary Non-Contributory Pensions	673,939		490,000		
Proposed Final Dividend—Net	10,208,822		11,089,440		
	79,138,650		57,496,774		

January 28th, 1961

THE  
ACCOUNTANT

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## 6. REVENUE CONTINGENCIES RESERVE

	£
As at 3rd October, 1959	500,000
Deduct:	
Costs incurred to date in respect of starting up South Works	96,010
As at 1st October, 1960	403,990

## 7. CONVERSION RIGHTS

The holders of the 6 per cent. Convertible Second Debenture Stock who did not exercise their option to convert at 31st March, 1960, have an option to convert up to half their Stock into £1 Ordinary Shares at par on 31st March, in each of the years 1961 to 1964 inclusive.

## 8. LOANS

As security for the present and future borrowings from F.C.I. and from Barclays Bank Limited, to a combined maximum of £33,000,000, the Company has issued to them debentures charging by way of floating charges the whole of the Company's undertaking, assets and property, such charges ranking in point of security after the charges securing the 5½ per cent. Debenture Stock 1976-81 and the 6 per cent. Second Debenture Stock 1978-83. The increase of £2,500,000 in the present and future borrowings compared with last year's figure of £30,500,000, has been arranged in connection with the installation of plant for rolling Universal Beams at Cargo Fleet Works.

## 9. SUBSIDIARY COMPANIES AND GROUP BALANCE SHEET

	1959	1960	1959
Investments in Subsidiary Companies comprise:	£	£	£
(a) Shares as revalued at par value of Issued Share Capital	1,000,000	1,000,000	1,000,000
Deduct: Amount due by Parent Company	1,000,000	1,000,000	1,000,000
(b) Shares, at cost	—	5,000	—
	—	5,000	5,000

A Group Balance Sheet has not been prepared as Subsidiary Company (a) has neither assets nor liabilities other than the amount due by the Parent Company, whilst the investment of £5,000 in Subsidiary Company (b) is represented at 1st October, 1960, by £3,891 cash at Bankers and £1,109 due by Parent Company. Neither of the Subsidiary Companies was trading during the year.

## 10. CAPITAL EXPENDITURE

The estimated amount of Capital Expenditure outstanding at 1st October, 1960, as authorised by the Directors, is £10,988,599.

## 11. CONTINGENT LIABILITIES

There are Contingent Liabilities in respect of amounts uncalled on Trade Investments principally in connection with British Ore Investment Corporation Limited, amounting to £1,102,012, and Sundry Guarantees.

## NOTES

1. Emoluments of the Directors in respect of services as Executives	1960	1959
	£	£
	46,013	43,826

## 2. TAXATION—based on the profit for the year

Income Tax, after applying benefits from Investment and Initial Allowances and tax deducted from loan interest paid	Cr. 205,097	244,581
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Deduct:

Profits Tax	—	223,772
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Add:

Transferred to amounts set aside for equalisation of taxation	516,237	1,565,881
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Deduct:

Net adjustment for previous years	311,140	1,545,072
	61,140	145,072
	250,000	1,400,000

## 3. DIVIDENDS PAID AND RECOMMENDED, less Income Tax:

Interim Dividend on 13,753,843 Ordinary Shares at the rate of 4 per cent. paid 30th June, 1960 . . . . . 336,969  
Final Dividend on 13,753,843 Ordinary Shares at the rate of 8 per cent. (making a total distribution for the year of 12 per cent.) . . . . . 673,939

## 4. TRANSFERS TO RESERVES

Replacement of Fixed Assets Reserve	200,000	300,000
General Reserve	1,000,000	1,200,000
Contingencies Reserve	—	500,000
	1,200,000	2,000,000

## 5. GENERAL CAPITAL RESERVE

As at 3rd October, 1959	303,559
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Deduct:

Stamp Duty and Quotation Expenses	46,757
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As at 1st October, 1960	256,802
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included for interest on money is not adequate when the interest payable on loans of a temporary nature, and the provision required to be made from retainable profits and amounts set aside to reserves to repay these loans in future years, are taken into account.

He points out that interest paid in the past twelve months amounted to £1,025,481 and no balancing income was received from the plant and machinery on which by far the greater portion of the capital sums of £19.6 million was expended. In effect, therefore, the interest on these loans had to be carried by the profits secured from the existing level of steel production. Mr Chetwynd Talbot's view is that 'further consideration requires to be given to this important factor'.

### Suspense Account

A NEW item appears under 'Current assets' in the 1960 accounts of Tate & Lyle Ltd; this is, 'Taxation on stocks; adjustment account, £250,040'.

Under the heading of 'Taxation' the directors, in their report, state that to avoid the charge being disproportionately high in relation to the profits of the period a smoothing out procedure has been adopted by carrying this account as a suspense account.

The figure of £250,040 is an estimate of the liability to United Kingdom income tax and profits tax arising out of the refusal of the Inland Revenue authorities to recognize the base stock principle adopted in the parent company's accounts. The amount held in the adjustment account will vary year by year, according to the extent to which the base value differs from 'the cost of market value formula rigidly adhered to by the Inland Revenue'.

In 'Current assets' the new suspense account appears directly below the stock item. In the parent company's balance sheet 'Stock of sugar including net forward commitments, syrup, materials and stores' stands at £15,395,724, compared with £11,024,149 in the previous accounts.

## CITY NOTES

SMALL investment buying has kept the industrial share markets firm despite the continued uncertainty surrounding the economic outlook. It is noticeable that the recognized leaders of the industrial section tend to hang fire while 'outside' shares advance. The small investor continues to have the itch to invest and is now going outside the first-class issues for his investments.

This type of movement has, in the past, been the prelude to a market setback. When the investor has to search well beyond the obvious and when the market has to find excuses rather than reasons for strength, then the 'top' is usually near. Weight of money rather than considered investment policy is now probably the biggest single factor in the equity market.

Statements by bank chairmen have certainly not provided a background of confidence in the immediate economic outlook. Lord Monckton even said that the present position is such that only the boldest forecasters would venture upon an assured judgment of the immediate prospects.

The small investor is now proving far bolder than the institutions in going into the industrial equity market on a fairly substantial scale. Institutional support for equities has not been heavy in recent weeks.

So far new year forecasts of the likely trend of the markets have been off beam, but it is possible that the trend over the past three weeks has not been as true as some market operators believe.

### RATES AND PRICES

Closing prices, Wednesday, January 25th, 1961

Tax Reserve Certificates: interest rate (26.11.60) 3%

#### Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

#### Treasury Bills

Nov. 18	£4 13s 5.93d%	Dec. 23	£4 7s 1.45d%
Nov. 25	£4 12s 9.25d%	Dec. 30	£4 6s 11.78d%
Dec. 2	£4 12s 5.55d%	Jan. 6	£4 6s 10.38d%
Dec. 9	£4 9s 7.83d%	Jan. 13	£4 6s 1.51d%
Dec. 16	£4 7s 6.04d%	Jan. 20	£4 3s 8.22d%

#### Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4½-4½%	2 months	4½-4½%
Fine Trade Bills		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

#### Foreign Exchanges

New York	2.80½-1½	Frankfurt	11.70½-7
Montreal	2.78½-1½	Milan	17.44-1½
Amsterdam	10.59-1	Oslo	20.03½-0.04
Brussels	139.76½-77½	Paris	13.75½-1½
Copenhagen	19.35½-36	Zürich	12.09½-1½

#### Gilt-edged (revised List)

Consols 4%	64½xd	Funding 3% 59-69	81½
Consols 2½%	43½	Savings 3% 60-70	77½xd
Conversion 5½% 1974	92½	Savings 3% 65-75	70½xd
Conversion 5% 1971	90½	Savings 2½% 64-67	81½
Conversion 3½% 1969	83½xd	Treasury 5½% 2008-12	92½
Conversion 3½%	58½	Treasury 5% 86-89	87
Exchequer 5½% 1966	101½	Treasury 3½% 77-80	71½
Funding 5½% 82-84	94½	Treasury 3½% 79-81	70½xd
Funding 4% 60-90	87½	Treasury 2½%	42½
Funding 3½% 99-04	62½	Victory 4%	93½xd
Funding 3% 66-68	82½xd	War Loan 3½%	58½

# Reviews

## Personnel Management

*Fourth edition*, by C. H. NORTHCOTT. (Sir Isaac Pitman & Sons Ltd, London. 30s net.)

Mr Northcott's book may justly claim to be the standard textbook on personnel management. It is not a short book nor a light one, but the interpolation of practical experience makes it extremely interesting reading.

Personnel management is presumably a fringe subject for accountants, but in so far as they are concerned through their figures in dealing with the financial results accruing from good or bad management and in so far as management consists to a very great extent of maintaining efficient relationships with employees, it is a fringe subject which should concern accountants. Accountants have sometimes been criticized for being detached from the facts of life in an industrial state and a reading of this book will show a large amount of thought and experience which has gone to attempting to solve problems of human relations within industries.

The book is divided into two parts—the first dealing with 'principles', the second with 'practice', and a glance at the list of contents shows that the range is wide in both sections. There is also a useful bibliography and an index which enables reference to be made quickly to the appropriate part of the book. If the appearance of the book is slightly oppressive, readers should endeavour not to be discouraged as it is, in fact, a book from which real humanity shines.

## Stevens' Elements of Mercantile Law

*Thirteenth edition*, by JOHN MONTGOMERIE, B.A. (Butterworth & Co (Publishers) Ltd, London. 21s net.)

The difficulty which faces any author whose subject is mercantile law is to know what to put in and what to leave out. The subject is not a homogeneous one; it can scarcely be said to be itself a branch of the law, but is rather a conglomeration of rules, based on the customs of merchants but now largely codified and for the most part related to one another by having a contractual basis. The law of contract is, moreover, the basis of any book on mercantile law and must account for a considerable percentage of its pages; though contract, no matter how much its development owes to the practices of merchants, is essentially a part of the ancient common law.

It is for this reason a little startling to find the chapters of *Stevens* which deal with truly mercantile matters grouped together under the heading 'Rules relating to subject-matter of contracts'. Special

types of contract' or something of the sort would have been a happier appellation.

The present editor (who also edited the last two editions) seeks to cover within the compass of a single book the legal syllabuses of various professional bodies which require their students to pass an examination in law. It follows that he has had to deal, with necessary brevity, with a great number of topics, not all of which will be of equal interest to all students. Wisely, he has omitted from the present edition the chapters formerly included on 'Companies' and 'Stock Exchange transactions'. It is probably safe to say that no student who is required to pass an examination in company law could do so without previous study of a textbook wholly devoted to that important and complex subject. But the same may be said of bankruptcy; yet it continues to feature in this and other general books on mercantile law.

Of all the students' books on mercantile law, *Stevens* is probably the best known. There is no need to fear for its reputation as long as it is in the hands of the present editor, who has again managed to pack much learning and instruction into a book of moderate size.

## The Law of Contract

*Fifth edition*, by G. C. CHESHIRE, D.C.L., F.B.A., and C. H. S. FIFOOT, M.A., F.B.A. (Butterworth & Co (Publishers) Ltd, London. 50s net.)

It was only in 1945 that the first edition of *Cheshire and Fifoot* was published, yet it has already established itself as one of the leading works on the law of contract. The reputation which it has is well deserved, for here is a book on one of the most important branches of the law which it is a delight to read, the learned authors' lucidity of style carrying the reader along through pages in which the history, development and application of the law is expounded in truly brilliant fashion. Particularly welcome is the authors' textual treatment of cases, which are dealt with briefly but in such a way as always to illustrate with complete adequacy the point in question. The extensive use of cases to explain principles makes the work of great value to students, who do not always have easy access to volumes of reports; but this is not to say that this is primarily a students' book, for in fact it is one which every practitioner in the law, and everyone whose professional work brings him into close contact with the law of contract would do well to have on his shelves.

*Cheshire and Fifoot* has been considerably revised since the last edition, the revisions not being restricted to incorporating references to the new statute and case law of the last four years. A particularly interesting feature of the new edition is the section on 'constructing' a contract, which illustrates well the way in which the unwritten law develops. Thus by finding the existence of a 'collateral' or preliminary contract the Courts are able to do justice in cases where, prima facie, the plaintiff is without a contractual remedy. The pages on contracts *uberrimae*

*fi dei* (which have been rewritten) show at what a terrifying disadvantage an insured is generally placed *vis-à-vis* his insurer; they should be studied by everyone before taking out a policy of insurance.

### The South Sea Bubble

by JOHN CARSWELL. (Cresset Press, Fitzroy Place, London, W1. 30s net.)

Most schoolboys have heard of the South Sea Bubble in connection with Walpole's administration, yet it is seldom regarded as more than an isolated event in George I's reign. Few people realize that it was the restrictive legislation enacted following the collapse that deferred the full introduction of limited liability for more than a century. According to Mr Carswell, this policy led to delay in the onset of the industrial revolution and its full development.

Conclusions apart, this book makes fascinating reading as the author brings out all the forces contributing to this fantastic speculative boom, political, financial and social. Quotations from contemporary source material bring home to the reader the all-pervading effect of the Bubble in the life of the country. This is historical research at its best and most readable. Every accountant who enjoys reading about financial *causes célèbres* will enjoy this book, both for the way in which the story is unfolded and the sketches of the leading actors.

### Exchange and Trade Control in Theory and Practice

*Fourth edition*, by H. E. EVITT. (Sir Isaac Pitman & Sons Ltd, London. 25s net.)

The main changes in this fourth edition of a well-known standard work which was fully revised two years ago, deal with the events of the last two years such as the demise of the European Payments Union and the new freedom for some European currencies including sterling. The success of this small volume is based upon the clarity of exposition and its relevance to the practical problems, as well as the broader international issues, of the foreign exchange market. If there is any criticism it must be in regard to the price which, for the many students who will need this book, seems high.

### The Hospitals Year Book, 1961

Editor: J. F. MILNE, M.C., B.SC.(ECON.). (The Institute of Hospital Administrators, London. 59s 6d net; by post 61s 6d.)

The new edition of this useful work of reference has undergone a thorough revision, planned to ensure that it will continue to provide up-to-date and authoritative information for all branches of administration and management in the hospital and allied services. The hospital directory sections give full particulars of hospitals and hospital authorities in Great Britain, Northern Ireland and the Isle of Man. Other sections provide details of bed and patient statistics, hospital finance, Government departments

and statutory bodies, organizations concerned with hospital and health services, local health authorities, executive councils, the National Health Service Whitley Councils, and hospital contributory and provident schemes.

The substantial reference section includes notes for hospital administrators on legal, technical and general subjects, as well as detailed indexes to statutory instruments and official circulars, summaries of reports, and a short bibliography of hospital literature. As in previous years, the final section consists of a comprehensive guide to hospital purchasing.

In his annual review of the hospital service during the past year, the editor draws attention to some fundamental differences between the English Mental Health Act of 1959 and the subsequent Mental Health Act for Scotland. He also comments on the future development of hospital psychiatric services, on work study in the hospital service, and on hospital building.

### The Sun Insurance Office 1710-1960

by P. G. M. DICKSON. (Oxford University Press, London. 45s net.)

Described in the sub-title as the history of two and a half centuries of British insurance, this book commemorates the 250th anniversary of the Sun Insurance Office. The work has been handsomely produced and is well illustrated. The author, for what no doubt are obvious reasons, has concentrated on the earlier part of the period; thus, nearly 300 pages are devoted to the period before 1900 and the final sixty years get four pages. The account of the early business of the company and not least its interests in the American and European fields is interesting and the author, an Oxford history don, is clearly at home in this field. The general reader, however, may find the treatment of the subject a little too detailed but if he is prepared to make the effort, this is a good piece of scholarship to study.

### SHORTER NOTICES

LAW AND ACCOUNTS OF EXECUTORS, ADMINISTRATORS AND TRUSTEES (*Fourteenth Edition*), by B. G. Vickery, F.C.A., The Donnington Press, St Albans, and Cassell & Co Ltd, London. 27s 6d. The appearance of the fourteenth edition indicates the staying power of this popular textbook which is concentrated without losing anything in comprehensibility and which gives questions selected or adapted from the examination papers of The Institute of Chartered Accountants in England and Wales, The Association of Certified and Corporate Accountants and the Institute of Bankers.

GLOSSARY OF TERMS USED IN AUTOMATIC DATA PROCESSING, by Erroll de Burgh Wilmot and others. Business Publications Ltd, London, 7s 6d net. This extremely comprehensive glossary contains 1,200 definitions and abbreviations used in business and scientific information processing. The object of the contributors has been to lay down what appears to be the 'common usage' of terms, in which they have admirably succeeded. The glossary also contains many definitions of mathematical, scientific and accounting

terms. Whilst it is no doubt useful to have all these terms in one volume, the non-computing terms will undoubtedly be familiar to practitioners in the appropriate fields, and the computing terms have already been adequately covered in the 'British Standards Institution Glossary' which was published in *The Accountant* a few years back. There are many omissions: for instance, FIFO and LIFO are included, but not HIFO or NIFO. As the glossary only occupies some twenty-six of the forty-odd pages – twelve of the remainder being occupied by advertising matter – the price must be considered rather excessive.

DIARY FOR LAWYERS, 1961, *sixty-ninth edition* by W. H. Redman, M.B.E. (Sweet & Maxwell Ltd, London. 21s net.) The 1961 edition of the *Diary for Lawyers* contains completely revised information and includes sections on scales of charges, stamp duties, income tax, solicitors' accounts rules and solicitors' practice rules. Under a section dealing with miscellaneous matters, information is given in investment trust funds,

intestates' estates and auctioneers' and estate agents' charges. In addition, the departments of The Royal Courts of Justice are listed as well as the various officers of the Courts.

A full page is given for every day except Sunday and there is a useful thumb index.

### RECENT PUBLICATIONS

ANSWERS TO ARITHMETIC AND ACCOUNTS, by Norman Rogers, M.COM., and Reginald W. Walls, B.SC., B.COM., A.A.C.C.A. Second edition. 88 pp. 7½ × 5. Card covers. 12s 6d net. Sir Isaac Pitman & Sons Ltd, London.

INTEREST RATES AND ASSET PRICES, by Ralph Turvey. 109 pp. 8 × 5½. 12s net. George Allen & Unwin Ltd, London.

GUIDE TO COMPANY SECRETARIAL WORK, thirteenth edition, by G. K. Bucknall, A.C.I.S.(HONS.) x+254 pp. 7½ × 5. 12s 6d net. Sir Isaac Pitman & Sons Ltd, London.

MANAGEMENT, ACCOUNTING AND PROFITABILITY, by Christopher Bostock, M.A., F.C.A. vii+135 pp. 9 × 6. 18s net. Sir Isaac Pitman & Sons Ltd, London.

## Current Law

### Deduction from Damages of Disablement Benefit

THE plaintiff in *Hultquist v. Universal Pattern & Precision Engineering Co Ltd* ([1960] 2 All E.R. 266) sustained injuries for which the defendant company, his employer, was liable. He was awarded £550 general damages, and £197 18s 6d was agreed as special damages for loss of wages, but from this latter sum was deductible, under Section 2 (1) of the Law Reform (Personal Injuries) Act, 1948, 'one-half of the value of any rights which [had] accrued or probably [would] accrue to him [from his injuries] in respect of . . . industrial disablement benefit . . . for the five years beginning with the time when the cause of action accrued'. Section 2 (6) (c) of the Act provides that for the purposes of Section 2 'an industrial disablement gratuity shall be treated as benefit for the period taken into account by the assessment of the extent of the disablement in respect of which it is payable'. At the end of the period during which he was away from work, the plaintiff received an industrial disablement gratuity of £210 under Section 12 of the National Insurance (Industrial Injuries) Act, 1946 (as amended), this gratuity being calculated on the period from the end of that from which he was away from work for life. His expectation of life was thirty-five years.

The Court of Appeal held that the proper amount to be deducted in assessing the plaintiff's special damage was half of one-seventh of £210 (viz. £15), one-seventh being the proportion which the five years specified in Section 2 (1) of the Act of 1948 bore to

the thirty-five years which was the period of the plaintiff's expectation of life, because under Section 2 (6) (c) the gratuity was to be treated as benefit received by the plaintiff for the period taken into account by the assessment, which period in the present case was that of the plaintiff's life.

### Dissolution to Stand

IN *Re Servers of the Blind League* ([1960] 2 All E.R. 298) the liquidator of a company which had been dissolved on June 6th, 1958, sought a declaration under Section 352 (1) of the Companies Act, 1948, that the dissolution was void. The company was a charitable company limited by guarantee and, on February 17th, 1958, the liquidator, in compliance with its memorandum, had executed an assignment of the assets, both present and future, in favour of the Royal National Institute for the Blind. The reason for the application was that P., who died on January 5th, 1959, gave a quarter of her residuary estate to the company.

Pennycuik, J., refused to make the order sought, taking the view that generally speaking the purpose of such an order was to enable distribution to be made of an asset which belonged to the company before dissolution but which, for some reason, had been overlooked and had vested in the Crown as *bona vacantia* under Section 354, whereas in the present case the asset in question never belonged to the company at all and the order would dispossess other persons who obtained a vested interest in the asset under a title not derived from the company.

### Resulting Trust on Closure of School

THE plaintiff in *Bankes v. Salisbury Diocesan Council of Education Incorporated and Another* ([1960] 2 All E.R. 372) was the successor in title of a grantor who, in 1840, had conveyed land under the School Sites Act, 1836, as a site for a school to two

individuals and a corporation sole, namely, the rector of the parish where the school was to be built. The deed contained a declaration and agreement by and between the parties thereto that in case the school-house should not be erected or being erected it should be found impracticable by the trustees for the time being to carry out the grantor's intention, 'then and in such case the bargain and sale hereby made shall be void'. By a scheme under the Endowed Schools Acts, 1869 to 1874, made by the Minister of Education and approved by His late Majesty in Council in 1949, the first defendant was appointed to be the governing body of the foundation and was authorized to sell or let land belonging to it. In 1956 the school was permanently closed. The plaintiff claimed that on the closure of the school a resulting trust took effect, whereunder he was entitled to the land as successor of the grantor.

Russell, J., held that, as a matter of construction, the provision for avoidance of the conveyance operated whenever the land ceased to be used for the purposes of a school. It was contended that the conveyance did not pass the fee simple of the land because there were no appropriate words of limitation (as were at the date of the conveyance required) to indicate the *quantum* of the estate which the grantees were to take, with the result that there could be no resulting trust and a possessory title in favour of charity had arisen. His lordship rejected this argument because one of the grantees was a corporation sole and the words used were apt to transfer the legal estate to such a person. The scheme provided that 'Every Act of Parliament, letters patent, statute, deed, instrument or trust affecting the foundations [which included the school in question] is hereby repealed and the provisions of this scheme are substituted therefor.' Russell, J., held that this provision abrogated only those parts of the deed of 1840 which directly concerned the educational foundation: it did not nullify the resulting trust to the grantor, which accordingly took effect on the school being closed.

### English Contract not Affected by Greek Decree

IN 1927 the National Bank of Greece guaranteed payment under certain mortgage bonds issued by the National Mortgage Bank of Greece. In 1949 the Greek Government set up a moratorium, suspending all obligations on the bonds. In *National Bank of Greece and Athens, S.A. v. Metliss* ([1958] A.C. 509; [1957] 3 All E.R. 608) the House of Lords held that the appellant, which by Greek law was the universal successor of the National Bank of Greece, was liable under the guarantee. Following the decision of that case at first instance a Greek decree was passed purporting to amend retrospectively the decree which had constituted the National Bank of Greece and Athens, S.A., as universal successor by excepting from its obligations as such its obligations under bonds such as those in question.

In *Adams and Others v. National Bank of Greece, S.A.; Darling and Others v. Same; Adams and Others v. Same* ([1960] 2 All E.R. 421) the House of Lords, hearing consolidated appeals from orders of the Court of Appeal, held that the later decree was ineffective to relieve the successor bank from the liability on the bonds which it incurred by virtue of the earlier decree. The appellants contended that the obligation of the bank as universal successor was recognized as such by the English Court; that the proper law of the obligation was English law; and that, according to the well established principle of private international law as administered in our Courts, the obligation could not be altered or discharged to the detriment of the English creditor by a decree of the Greek Government. This argument found favour with their lordships, who thus reversed the decision of the Court of Appeal (reported *sub nom. Adams and Others v. National Bank of Greece and Athens, S.A.; Prudential Assurance Co Ltd and Others v. Same* ([1960] 1 Q.B. 64; [1959] 2 All E.R. 362)) and restored the judgment of Diplock, J. ([1958] 2 Q.B. 59; [1958] 2 All E.R. 3).

### Equitable Mortgage Kept Alive

GHANA *Commercial Bank v. Chandiram and Another* ([1960] 2 All E.R. 865), an appeal to the Privy Council from the Court of Appeal of Ghana, is referred to here because the Privy Council's advice to Her Majesty enunciates a general principle relating to the law of mortgages. The facts are as follows. H. deposited with the B. Bank title deeds of certain property by way of equitable mortgage to secure his overdraft. The B. Bank sent the deeds to the G. Bank against the latter's undertaking to hold them on the former's behalf. A judgment creditor of H. obtained a writ for the attachment of the property under an order of the Ghana Supreme Court which prohibited the debtor from alienating the property attached and made any alienation of it without leave of the Court void. After the issue of the writ, H. executed a legal mortgage of the property to the G. Bank, which paid off the B. Bank and retained the title deeds. H. subsequently let the property to M., and later it was sold, by consequence of the attachment, to C., C. claimed to have bought the property free from the mortgage.

The Privy Council held that the legal mortgage (an alienation made without the leave of the Court) was void. On the other hand, the equitable mortgage remained alive. Where a third party pays off a mortgage (as the G. Bank did), that party is presumed, unless the contrary appears, to intend that the mortgage shall be kept alive for that party's benefit, and their lordships took the view that the execution of the abortive legal mortgage did not negative the existence of an intention to keep the equitable mortgage alive in the present case. It followed that C. was entitled to the premises subject to the equitable mortgage.



# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Bad Manners?

SIR, - With due respect I cannot agree to any of the views expressed by your correspondent, 'Bad-Mannered F.C.A.', in *The Accountant* of December 24th.

A company which has to economize on good manners must be making very marginal profits and, in such circumstances, it would be injudicious for it to dispense with what must virtually be its sole remaining asset.

It has been my experience that all good companies reply to applicants for posts, whether advertised or not. I was one of the recently bowler-hatted tribe of overseas Civil Servants looking for a suitable post in industry. My qualifications are administrative (Arts graduate) and I applied for a number of posts which were advertised in the Press and for which I did not possess tailor-made qualifications; yet in four cases out of eight I was short-listed. Out of a total of eighty applications I received acknowledgements to all my letters, with interviews in the case of about 27 per cent which led to second and third interviews in the case of 14 per cent.

I consider that 'Bad-Mannered F.C.A.'s' pre-occupation with pence will cost him a good many pounds of goodwill and I am glad to have learnt by experience that his views are not shared by most enlightened and successful industrialists.

Yours faithfully,  
MANNERS MAKYTH MAN.

## Clearer Company Accounting

SIR, - The letter from Mr D. F. Goch, A.A.C.C.A., on this subject, in your issue of January 21st, is of course very true, especially of many private companies. It is distressing to read of cases of well-known public companies where this artificial 'trading profit', created by adding back unrelated items required to be shown specifically under the Companies Act, 1948, is regarded as a significant item.

This is particularly so when The Institute of Chartered Accountants in England and Wales in its Recommendation No. 18, published in October 1958, states (paragraph 41):

'Where the turnover is not disclosed the profit and loss account should commence with the trading surplus or deficit of the year computed after charging depreciation and all other trading expenses. Depreciation and other items which have been charged or brought to credit in arriving at the trading surplus or deficit, but which are disclosed to comply with the Companies Act, 1948, or because the directors consider that they should be disclosed, should be shown by notes on the account or by an unextended inset

or in a "box" immediately after the trading surplus or deficit of the year.'

This is a clear indication of the views of an influential body, which one would have thought would have been recognized after two years as being an acceptable standard.

On the wider subject of the incomprehensibility of many published accounts, it seems to me that it is again true that many of us do not follow the lead of the Institute. A careful study of its *Recommendations on Accounting Principles* would set us on the right road. Some of us may be too busy to study them; some of us, one almost fears, do not care. In a students' textbook on a modest level, last year, a colleague and I tried to indicate the importance of proper design in accounts, and we stated:

'There may be some practising accountants who will plead that such endeavours do not bring financial rewards. In our experience, this is not true in the long run; but even if it were, it would not in our view be sufficient reason for neglecting this branch of our professional work wherever it can be applied.'

In my recent series on 'Practice Organization' in your columns I tried to indicate how important I believe it to be for practitioners, however busy, to find time to keep up to date with professional thought and development. I know how difficult it is, especially for the smaller provincial or suburban practitioner, but it is vital to the continued regard which we as a profession must desire from the general public, and I for one am most grateful for all who think as does Mr Goch and, like him, feel that it matters.

Yours faithfully,

London, EC2.

R. S. WALDRON, F.C.A.

## Specialism in the Profession

SIR, - The correspondence on this subject has been interesting; there is, however, one point which I feel should be made in reply to many of the writers including Mr Stephen F. Russell (January 14th issue).

Surely, their basic assumption that practical experience in cost accounting as a prerequisite for management is incorrect. The Institute of Cost and Works Accountants is quite right to insist on this experience and the passing of an examination in this subject for their fellowship examination. It would obviously be incorrect for a person without such experience to be in a position to call himself a cost accountant. There are many aspects of management, and many requirements for managerial accountants in different organizations. It is unlikely that the chief accountant for a departmental store where there are no manufacturing activities whatsoever, would be required to have any detailed knowledge of costing. He would, however, be required to know considerably more about departmental and branch accounts, budgetary control and statistics, than the majority of practising members of the profession. It is to cater for the many accountants in this and similar positions that a further form of recognition is required.

Yours faithfully,

Hove, Sussex.

J. W. MITCHELL, A.C.A.

## STUDENTS' DINNER IN LEEDS

## Leeds and District Chartered Accountant Students' Association

Students were urged to think carefully before leaving professional offices too early by Mr S. Snowball, F.C.A., President of The Leeds and District Chartered Accountant Students' Association, at the Association's annual dinner at *The Griffin Hotel*, Leeds, on January 20th.

Mr Snowball said that for reasons which were not entirely unrelated to economic circumstances, numbers of qualified men leave the field of public practice very soon after qualifying to employ their talents in the world of commerce. He went on:

'It is a good thing that this is so - that the high standards of moral conduct set within the profession are carried into business life. But I ask you students who have recently qualified, and you future qualifiers, to think carefully before leaving professional offices too early.'

Mr Snowball said that time was needed after qualifying to appreciate the application of the academic knowledge gained after much burning of the 'mid-night oil'.

He was sure there was a vast amount of very valuable experience to be gained by staying in a professional office after qualifying. Too often a student, attracted to commerce, started on the wrong plane and sometimes on the wrong ladder - an error often recognized too late and then difficult to rectify.

The preparation for examinations by the great majority of students was based on correspondence courses which, Mr Snowball continued, was by no means an ideal preparation.

'But it appears unlikely', he said, 'that any suitable alternative will be found for some time to come.'

'In the meantime I urge all our students to seize every opportunity offered to take part in discussions with fellow students of our own and other organizations and with senior members of the society.'

'All too frequently examiners' reports refer to the inability of students to express themselves clearly. Discussions at students' meetings can be a great help to overcome this disability.'

Referring to the activities of the Association, Mr Snowball mentioned in particular the Grantley Hall course, where students had a wonderful opportunity to meet, listen to, and discuss problems with lecturers of the highest calibre and under ideal conditions.

'I am sure', he said, 'I am preaching to the converted when I refer the Grantley course to those present this evening. But I am equally sure that we can all do something towards convincing the very small minority of our colleagues who appear to still want convincing of the value of these courses.'

## Eyes on the Future

Proposing the toast of the Association earlier, Sir Keith Joseph, M.P., Parliamentary Secretary to the Ministry of Housing, said that most of the students attending the dinner would be taking part in decision-making processes in whatever particular organization they were in - or running - in twenty years' time, 'and it might be useful to contemplate the sort of world we might be living in then.'

Everybody, he said, hoped in particular that it would

be a peaceful world, but it would certainly be a very competitive one.

More and more, the countries where Britain sold her goods were making the very same articles, and we therefore had to produce more complex goods if we were to sell them abroad in the future. He was consequently delighted to see that accountants had their eyes on the future.

Proposing the toast of 'The Guests', Mr P. H. Radcliffe, honorary secretary of the Association, said he felt there was a particular need for advertising the profession.

'Advertising is one aspect of the profession which I think is rather neglected,' he said. 'I would like to see the work and merits of our calling promulgated more because we are in direct competition with industry in attracting the right sort of person for articles.'

'We have to go out and attract people to our profession and when we have done that I think we have to give them more information about what the article clerk is going to get after he has joined us.'

## Comparable Experience

Mr Radcliffe thought some way must be found of making sure that article clerk received comparable experience throughout the profession.

'You find that one article clerk might get very poor experience - and others do extremely well. But each article clerk does not know because he has only the experience of one firm.'

He went on to say that there was also the question of 'studying' to consider during the period of articles. In present days, the correspondence course which students were set to study night by night was 'rather unbalanced'. He added:

'We do not get enough management accountancy. I feel that a lot of people are going into industry and are not getting enough experience for qualification requirements.'

Those three points, said Mr Radcliffe - the advertising of the profession, method of training and a realistic course - were ones which he would like to see 'sorted out'. He continued:

'This is what is being done by the Parker Committee at the moment. This committee has been sitting for a very long time but there are signs that it cannot sit for much longer. I did meet Mr Parker on one occasion and I feel he will come forward with some fairly extensive changes in the training of article clerks.'

Another problem Mr Radcliffe said he felt strongly about was a system of registration in the profession.

'A lot of people', he said, 'think that registration is taboo, but it would not affect the high regard held throughout the world for chartered accountants.'

He realized there were great practical difficulties in such a system but felt that a statute could be passed whereby accountants would be registered as public accountants. In other professions, he pointed out, there were systems of registration.

The toast was responded to by the Dean of Ripon, the Very Rev. F. L. Hughes, and Mr J. G. D. Shaw, M.A., former President of the Cambridge Union.

# Notes and Notices

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

### President's Luncheon

The President of the Institute, Mr S. John Pears, and the Vice-President, Mr P. F. Granger, gave a luncheon party last Wednesday at *The Dorchester Hotel*. The guests were The Lord Sinclair of Cleve; Lord Plowden; The Lord Nelson of Stafford; Sir Frank Lee; Sir Hugh Beaver; Mr D. T. Hicks; Sir Harold Howitt; Mr E. F. G. Whinney; Mr R. P. Winter and Mr Alan S. MacIver.

### PROFESSIONAL NOTICES

MESSRS KERSHEN, FAIRFAX & Co, Chartered Accountants, of 26 Dorset Street, Gloucester Place, London, W1, announce that Mr KENNETH J. FENTON, A.C.A., was admitted as a partner from January 1st, 1961.

MESSRS PANNELL CREWDSON & HARDY, Chartered Accountants, of Lagos and Kaduna, Nigeria, announce that they have opened an office in Kano, Northern Nigeria, with Mr DALE McDONALD SUMNER, A.C.A., as resident manager.

MESSRS PEAT, MARWICK, MITCHELL & Co and Messrs SHARP, PARSONS & Co, announce that they have agreed to merge, as from January 1st, 1961, their Birmingham practices, which will for the time being continue to be conducted from their respective Birmingham offices. All the partners practising in Birmingham of PEAT, MARWICK MITCHELL & Co and SHARP, PARSONS & Co have become partners in the merged firm. The London practice of SHARP, PARSONS & Co, Suffolk House, 5 Laurence Pountney Hill, Cannon Street, EC4, will in future be conducted under the name of SHARP, PARSONS, TALLON & Co, Mr C. R. TALLON, F.C.A., continuing as the active partner.

MESSRS PRICE WATERHOUSE PEAT & Co (South America) announce that Mr THOMAS JAMES BAYLISS, D.F.C., F.C.A., and Mr ERIC BUCKLEY, F.C.A., have been admitted as partners of their firm as from January 1st, 1961.

MESSRS SMITH & HARTING, Chartered Accountants, announce that Mr A. CAMERON WHITE, C.A., retired from the firm on October 22nd, 1960, and that Mr L. E. ROPER, F.C.A., retired from the firm on October 31st, 1960.

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND, of Malaya, announce that their practice in Singapore and Malaya has been amalgamated with BROWN, PHILLIPS & STEWART, of Hongkong Bank Chambers, Ipoh, Malaya (P.O. Box 30), and BUCKLE, SYKES & WEATHERLY, of Chartered Bank Chambers, Beach Street, Penang, Malaya (P.O. Box 277).

### Appointments

Mr N. R. R. Brooke, C.B.E., J.P., F.C.A., has been appointed a director of Guest, Keen & Nettlefolds Ltd.

Mr Jack Clayton, F.C.A., has accepted an invitation to join the board of Telefusion Ltd and has been elected deputy chairman.

Mr M. W. Gulliford, F.C.A., has been appointed a director of Guthrie & Co Ltd.

Mr C. E. M. Hardie, O.B.E., F.C.A., has been appointed a director of Malgavita (Suppliers) Ltd.

Mr A. Horridge, F.C.A., has been appointed a director of J. Hickman & Son (Brierley Hill) Ltd.

Mr S. J. Pochin, F.C.A., secretary of Flight Refuelling (Holdings) Ltd, has been elected to the board of the company.

Mr L. R. P. Pugh, V.R.D., F.C.A., and Mr H. W. A. Waring, C.M.G., F.C.A., have been appointed directors of Guest, Keen & Nettlefolds (South Wales) Ltd.

Mr W. G. A. Russell, F.C.A., has been appointed a director of Harris & Sheldon (Holdings) Ltd.

Mr R. Ivor Slater, F.C.A., F.C.W.A., a director of Brightside Engineering Holdings Ltd, has been elected a director of Graham Firth Steel Products Ltd, and Metal Mouldings Ltd, both members of the Brightside Group.

Mr R. Corn, A.C.A., has been appointed to succeed Mr H. Armstrong, A.C.A., as assistant accountant of The Northern General Transport Co Ltd. Mr Corn will take up his new appointment on February 1st, 1961.

Mr Frank D. Leech, A.C.A., a managing director of David Liddell & Co Ltd, has been appointed a director of Poynter & Marshall Ltd, following the agreement to associate the activities of the two companies.

Mr W. G. Palmer, A.C.A., has been appointed a director of CBS Productions Ltd, a member of the Columbia Broadcasting System Group.

Mr H. B. Morris, F.C.W.A., secretary of Wickman Ltd, has been appointed a director of the company.

### OBITUARY

#### Sir William Edmund Sykes, M.C., J.P., F.C.A.

It is with regret that we record the death on January 21st, at the age of 76, of Sir William Edmund Sykes, M.C., J.P., F.C.A.

Educated at Rydal School, Colwyn Bay, Sir William was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1912, becoming a Fellow in 1938. A director of a number of public companies, he had long standing connections with the City of London, having been a member of the Court of Common Council since 1937. He was chairman of the Rates Finance Committee from 1941-43 and from 1952 up to the time of his death was chairman of the Coal and Corn and Finance Committee. Since 1948, he had been a member of the Board of Thames Conveyance and he had also served as a member of the London Court of Arbitration.

A Justice of the Peace for Hampstead from 1945-59, he served as deputy chairman of the Bench from 1954-58. Sir William won the M.C. in 1917 during the First World War and was knighted in 1959.

**THE ASSOCIATION OF CERTIFIED  
AND CORPORATE ACCOUNTANTS****List of Members**

The *List of Members* of The Association of Certified and Corporate Accountants, now published, shows that membership of the Association at November 30th, 1960, totalled 10,914 – an increase of 363 since the last published figures in January 1960.

Now specifically designated *List of Members* compared with its previous title of 'Year Book', the new edition, which extends to 645 pages, excludes the articles of association and bye-laws and details of the Benevolent Association. These are now published separately and are available to members on request. The *List* in its new form will appear in January of each year and is available to members of the Association who requisition copies in advance. The new book contains the usual alphabetical and topographical lists of members, together with the names of members of the Council and committees; information about the district societies and particulars of objects, examinations, membership, etc., of the Association.

**THE INSTITUTE OF BANKERS**

Membership of The Institute of Bankers at January 1st reached the record level of 48,055. This was an increase of 2,786 over the figure for 1960, in which year there had been the largest annual increase (2,382) for thirty-five years. In the past two years the membership has thus grown by more than 5,000 (12 per cent over the figure for January 1st, 1959).

An interesting feature of these figures is that the membership of the Institute outside the United Kingdom continues to rise, and that the register now includes some 4,000 members from ninety-three overseas territories.

**B.I.M. CONFERENCES**

The first in a series of British Institute of Management conferences on 'Management in the '60's' will be held at the Connaught Rooms, London, WC2, on March 7th. The conference will be under the chairmanship of Mr Norman Fisher, principal, National Coal Board Staff College, and chairman of the B.B.C. 'Brains Trust', and papers will be given by Mr William Whyte, of the United States (author of the book *The Organisation Man*), and by Mr Eric Moonman, B.I.M. Human Relations Adviser.

A one-day conference on 'New technical libraries in industrial organizations' is to be held on March 14th, also at the Connaught Rooms. Sir John Wolfenden, C.B.E., Vice-Chancellor of Reading University, will take the chair and the conference will consider such matters as the place and scope of the technical library in industry, together with its staffing, siting and cost.

**COMPANY LAW COMMITTEE**

The minutes of the seventh day's evidence, taken before the Company Law Committee, were published last Tuesday. The witnesses were representatives of the Association of British Chambers of Commerce, the Scottish Bank General Managers, and The National Association of Trade Protection Societies. Copies may be obtained from H.M. Stationery Office, price 4s 6d (by post 4s 11d).

**LOCAL AUTHORITY SERVICES**

Two statistical returns giving details of local government services in respect of police and fire services for 1959-60 have been published by The Institute of Municipal Treasurers and Accountants in conjunction with the Society of County Treasurers<sup>1</sup>.

The return of police force statistics contains the general and financial statistics relating to all police forces in England and Wales except the Metropolitan and City of London forces. In the year under review the strength of all county and borough forces was 54,616 compared with 54,147 during the previous year. Total expenditure is shown and the net expenditure falling on rates, and for comparative purposes this is analysed under various headings and expressed in amounts per 1,000 population. Expense met from rates and grants totalled £73,234,691, against £69,703,471 in 1958-59.

Rising costs are also shown in similar statistics for all county fire services in England and Wales. The amount met from rates amounted during the year to £25,495,181 equivalent to a rate of 9.09d. This compared with £17,978,574 for the year 1958-59, the rate equivalent being 7.27d.

**MANAGEMENT DECISION SEMINAR**

A 'business game' seminar designed to set executives in a simulated competitive environment so that they may observe the effects of business decision-making is to be held at Hendon Technical College, London, NW4, on March 22nd and 23rd.

Decisions to be made will include pricing, output levels, sales forecasting and allocation, stock levels, financial control, investment policy and the organization of the management structure. Success will be measured by profits, soundness of financial situation and adaptability of management to varying competitive conditions.

The seminar, which will be limited to twenty people, is being arranged by the Willesden and Hendon Productivity Association in co-operation with Hendon Technical College. Further details are available from Mr G. E. Wheeler, at Hendon Technical College, London, NW4.

<sup>1</sup> *Return of Police Force Statistics, 1959-60 and Return of Fire Service Statistics, 1959-60*. Price 5s each, post free. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, SW1.

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# THE ACCOUNTANT

ESTABLISHED 1874

FEBRUARY 4TH, 1961

VOL. CXLIV. NO. 4494



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## Inland Revenue Report

THE publication of the annual report of the Commissioners of Inland Revenue usually occurs when speculation is rife about the coming Budget, and this year is no exception. The 103rd report, for the year ended March 31st, 1960, has been published as a Blue Book<sup>1</sup> and is accompanied by the usual voluminous appendices containing a wealth of statistical information.

There was a fall in the total amount of tax collected, this being attributable to the drop in the standard rate of income tax from 8s 6d to 7s 9d in April 1959. All the other current taxes, with the exception of profits tax, showed an increase on the previous year, surtax actually rising from £166 million to £182 million, a fact which in itself gives point to the argument that the exemption limit for surtax could well be raised. Profits tax yield fell from £272 million to £259 million, no doubt as a somewhat delayed result of the drastic alteration of the tax structure in April 1958, under which a low single rate was substituted for rates varying with distributions, and distribution charges were discontinued. The increase in rate from 10 per cent to 12½ per cent will be reflected in years after 1959-60.

Quite the most remarkable rise has been in the total receipt from stamp duties, where a 50 per cent improvement was secured without any increase in rates, the total yield going up from £66 million to £98 million. Pride of place goes, as might be expected, to the yield on transfers etc. of stocks and shares, where the rise was from £33 million to nearly £60 million. Stockbrokers must now be counted among the most assiduous of the growing army of unpaid tax collectors. The net receipt from penalties is remarkably small: £29,722 in England and Wales, £1,240 in Scotland. The table solemnly shows a total collection from twopenny receipt stamps at £1,781,145, but as the vast majority of these stamps are in the form of adhesive stamps purchased at post offices, along with twopenny stamps for Christmas cards and the like, one wonders what mathematical genius has been able to estimate the proportion of receipt stamps down to the nearest pound. According to him the sums spent on receipt stamps over the past four years has been steadily declining from a peak of £5 million. The decline is perhaps to some extent attributable to the changes in practice following the passing of the Cheques Act, 1957.

The present agitation against the incidence of surtax gives topicality to the statistical information on this subject appearing in the report. A table shows that while the exemption limit in

amounts varying up to 2s in the £. As regards the £2,000 exemption, it is interesting to observe that no salary in the tax inspectorate attracted surtax in 1938-39; in 1959-60 quite a number of inspectors must have paid surtax on their salaries. It is true that these have risen but it is unlikely that the economic position of tax inspectors relative to the rest of the community has improved; it may even have worsened. Surtax is obviously performing an entirely different function from the one for which it was first devised. Originally a device to soak the rich, it has become an additional income tax on the middle classes. Of the 346,642 surtax payers upon whom 1958-59 assessments had been made by March 1960, no less than 145,381 had an income of £3,000 or less, and the assessed income was even smaller. They shared between them an aggregate assessed income of £349 million. The remaining persons, upon whom 1958-59 surtax assessments had been made, shared an assessed income of £1,080 million, or an average of some £5,350. It seems unlikely that the yield of tax from those in the £2,000-£3,000 bracket is really commensurate with the effort involved. There is not only the straightforward assessment and collection to be thought of, but also the time-wasting investigations into companies potentially liable to surtax direction. A number of such companies would automatically drop out of the field if the exemption limit for surtax went up. The suggestion has been made that criticism of surtax might be met by extending the earned income relief to surtax. This would certainly help but it should not be allowed to displace a raising of the exemption limit.

Income tax offers an even more promising field for administrative saving and rationalization. Tables in the report show that a single person, with an income (all earned) of £200, paid for 1959-60 income tax amounting to £1 7s 2d, or 1½d in the £. Bearing in mind the burden of indirect taxation which such a person may well have borne in 1959-60, the already farcical idea of a grand inquisition into his income for tax purposes becomes even more farcical. The exemption limit for income tax has not really kept pace with our rising standard of living, and even if it had, the present resort to heavy purchase taxes (not to mention National Insurance), warrants a more generous assessment of living needs.

One indication of the rise in prosperity, measured in money income, is given by the P.A.Y.E. statistics. In 1949-50, 19 million workers of all grades in the United Kingdom shared a total remuneration of £6,468 million. In 1958-59, 22 million workers shared no less than £12,275 million. The total remuneration paid (according to P.A.Y.E. records) to employees rendering professional services rose from £617 million in 1954-55 to £861 million in 1958-59.

In the long sad story of post-war credits a landmark was reached on March 31st, 1960. At that date the amount repaid had passed the amount outstanding: £373 million had been repaid, £367 million remained to be paid. How many taxpayers who listened to the exhortations of the politicians in 1941 imagined that fifteen years after the war had ended over £300 million of credit would still be outstanding? Another landmark had occurred on October 1st, 1959; from that date outstanding credits began to earn interest at 2½ per cent compound, free of income tax and surtax. During the period to March 31st, 1960, interest of £26,000 was paid out. Actual credit paid out in 1959-60 was over £64 million, as against between £17 and £18 million in each of the four preceding years.

Of the 72,248 estates which came before the Estate Duty Office in 1959-60, eleven were worth more than £1 million, four of these being worth more than £2 million. Below these, only twenty-six estates were worth £500,000 to £1 million. No less than 50,428 estates, or some 70 per cent of the total, were in the range £3,000 to £10,000. Here again it is arguable that the time has come for a further raising of the exemption limit, in order to avoid unremunerative administrative work. When it is remembered that a rich man can convey property of £3,500 to his apparent heirs (or anyone else) free of stamp duty, the justice of levying estate duty on a total estate of only £3,500 is somewhat questionable. Indeed, in view of the widespread avoidance of estate duty by means of *inter vivos* gifts, there is something to be said for some assimilation between estate duty on the one hand, and stamp duty on voluntary dispositions on the other. Some form of gift tax could deal with the present difficulty of ensuring that all voluntary gifts are made by means of a document which attracts *ad valorem* stamp duty.

## Credit Transfers—the Third Stage

AS we reported last week, on January 25th the clearing banks announced their plans for the completion of their credit transfer service and its availability to the general public (whether or not account-holders), taking effect from March 6th, next. The first and second stages were commented upon in a Weekly Note in our issue of April 2nd last, and in a leading article on September 17th. In the article the scheme as a whole, including the third stage, was discussed in general outline. It may be useful here to fill in some of the detail.

In the first place, the 'modest cost' of the transaction turns out to be sixpence – as, in fact, had been generally anticipated – which most people will probably agree is not excessive. SIR OLIVER FRANKS, Chairman of the Committee of London Clearing Bankers, explained that with no experience of the new service to work on, the banks have had to estimate the lowest figure at which they may hope to break even. The 6d is the charge to non-customers; customers will pay, as they pay for other bank services including the cheques they draw, on the overall working of the account. But it seems reasonable to assume that they will not pay more than non-customers; they may pay less – they may, of course, pay nothing if their accounts warrant it.

In the second place, the clearing banks will accept credits under the new scheme for any account at any bank in the country – savings banks and the Post Office Savings Bank included. This is a wider availability than was expected; if the savings banks are able to take reciprocal action and accept credits for clearing bank accounts, the credit transfer system will be more comprehensive than anyone had thought possible.

In essence, as has been pointed out often enough before, there is nothing new in the credit transfer service. The new factor is its general availability, which has been made possible by the establishment of the credit clearing. And the point that will be of most interest to accountants is the fact that, as the payer need not have a banking account, the way is now open for any business, large or small, to invite all its debtors, private as well as business, to settle their accounts by credit transfer. Probably a majority of their

debtors, even if they are not yet familiar with banks and banking, will be ready to do this; from their point of view paying cash over the counter of the nearest bank branch, with a fee of 6d, will probably be easier and will often be cheaper, than buying a postal or money order and a stamp in order to settle by post. And there is, of course, the possibility that some business users of the scheme will be prepared to bear the cost themselves, as some public authorities, building societies and the like have done in the past.

For the creditor business there are obvious advantages in receiving payment direct to the bank; the amount of paper to be handled in the office will be reduced, while the need to control cheques and cash between receipt in the office and paying in to the bank could be largely removed.

Many businesses in the weeks before March 6th will no doubt be arranging to take the process a stage further. If, with every invoice, a credit transfer form is enclosed, preprinted with the amount of the invoice and the bank and branch of the business, it will encourage the debtor to use the new system, while the creditor can also print on the form any information he may need in his own book-keeping.

The credit transfer to be used must be 'standard in form within agreed limits'; those illustrated overleaf are standard forms, the second being intended particularly for use with accounting machines.

Obviously there are various ways in which credit transfers can be used by creditor businesses; perhaps the most satisfactory, both for the debtor and for the business, will be one in which the credit transfer is a perforated attachment to the invoice, the debtor presenting the whole document to the bank, and receiving back the invoice with the cashier's stamp on it as his receipt.

Large users of the service will also be interested in the collection accounts which can be opened. In the normal way credits received at the creditors branch will be passed on to him as and when he requires them. But by arrangement he can establish a collection account at the head office of his bank, and he can then receive, daily if he



wishes, a machine list with the relevant credit forms, which will thus be in his hands a day earlier than they could be if they passed through his branch. Totals of credits received will be passed to his branch every day, or at such other periods as he directs; and he will, of course, draw his cheques in the normal way, on his branch account.

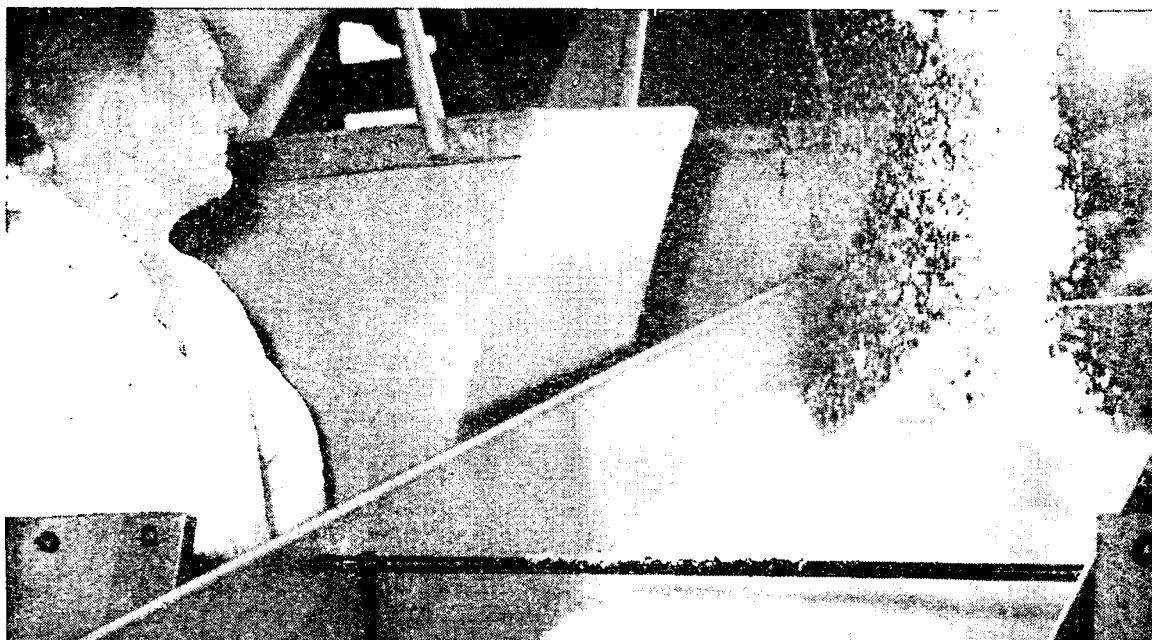
All this is to consider the scheme from the point of view of the creditor business. The debtor, when he is a private customer of a bank, will now be able to have the advantages of the traders' credit system, which has previously been confined to business customers. If he likes to assemble a number of the credit transfer forms he receives from his various creditors he can send or hand them to his bank with a single cheque for their

total. He naturally cannot expect his bank charges to be worked on that single cheque; charges must obviously be based on the number of credit transfers passed through. But he will at least save the stamp duty on the cheques he no longer draws, in addition to the postage on the letters he no longer sends; while even in the matter of charges it is clear enough that they should not be more than the 6d per credit that the non-customer will pay.

The English 'giro' has at times seemed to be slow in coming, but now that it has come it promises well. The banks have had a good 'Press' on their new service; and most accountants will consider they deserve it, for even if they have not hurried their credit transfers, they have now provided a satisfactorily complete scheme.

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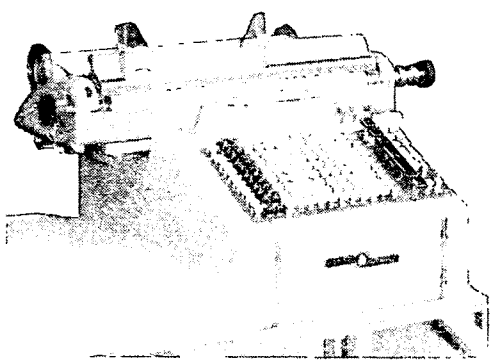
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*What you see is the sugar for your breakfast table. But behind is a vast concern handling sugar from the cane to the shop—with several problems solved by Burroughs.*

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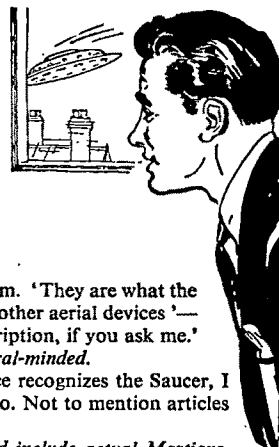
The scheme provides a special kind of Endowment Assurance policy, not for a fixed cash sum, but for a block of units in the B.S.T. Payment is made by an initial premium of 25 per cent of the cost of the units at the outset, and subsequent premiums over an agreed number of years (usually not less than twelve). As with a normal life assurance policy, the premiums attract the statutory income tax relief, and the policy may be drawn up under the Married Women's Property Act, so as to minimize Estate Duty.

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*'I'm no alarmist'  
I told my client—*



*'but you must admit that life is more hazardous than it was.'*

*He begged me to stick to the point. All he wanted was to insure his house and its contents.*

*'I believe you have an old house?'*

*He gave me the date to a year, trying not to look conceited.*

*'Quite so,' I said, 'With a great TV mast clamped on the chimney—a thing the Georgian bricklayers probably didn't bargain for.'*

*He asked me what I meant.*

*'A fine old chimney... a fine old gale...'*

*His eyebrows rose.*

*'Or take saucers,' I said.*

*They rose higher.*

*'Well, that may be too specific,' I admitted. 'Let's make it artificial satellites. You see, a policy might cover you against damage by aircraft, or articles dropped therefrom—'*

*He said he should hope so.*

*'—but aircraft are not the only thing in the sky these days. It would be bad luck to get a couple of gables knocked off by a stray nose-cap from a long-forgotten sputnik...'*

*Just a minute, he said, sitting up. Was I telling him that he could insure against such contingencies?*

*'Could and should,' I told him. 'They are what the Legal and General describe as 'other aerial devices'—and a very liberal-minded description, if you ask me.'*

*He wanted to know why liberal-minded.*

*'Because if and when Science recognizes the Saucer, I reckon that must be covered too. Not to mention articles dropped therefrom.'*

*He asked if the latter would include actual Martians. But then, clients are very hard to please nowadays.*

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# Loss of Exempt Private Status - I

by A BARRISTER-AT-LAW

*Recent decisions in the High Court show that the status of an exempt private company may be lost (i) if the trustees of a family settlement acquire shares in the company after the execution of the settlement, and (ii) if banking or finance companies purchase a new issue of shares from the members.*

**A**BOUT 90 per cent of companies registered in the United Kingdom are private companies, while most of the smaller controlled companies are 'exempt private companies'. Private companies were first divided into two categories, ordinary and exempt, by the Companies Act, 1947, and the relevant provisions relating to the latter companies were later re-enacted by Section 129 of and Schedule VII to the Companies Act, 1948.

The heavy preponderance of exempt companies over ordinary private companies affords plain evidence of the advantages considered to be inherent in exempt status. This status confers the coveted privilege of balance sheet secrecy, since the company need not attach its balance sheet and profit and loss account to the annual return which it has to file with the Registrar of Companies. The company may lawfully make loans to a director or to a director of its holding company, and may enter into guarantees or provide security for such loans. It may employ an auditor who is a servant of the company, and – as a concession to economy – special resolutions, extraordinary resolutions and other resolutions to which Section 143 extends need not be printed but may be filed with the Registrar in typescript or other approved form.

Having regard to the foregoing privileges, the status of an exempt private company is jealously safeguarded by the Act of 1948 and can only be acquired by satisfying certain strict statutory requirements. In addition to the three requirements laid down in Section 28 (1) of the Act, which apply to every private company, whether ordinary or exempt, an exempt company's shares or debentures must not be held (saving exceptions) (a) by a body corporate (except that the shares – but not the debentures – may be held by an exempt private company), or (b) by a trustee or nominee; the number of debenture-holders must not exceed fifty; and no body corporate must be a director of the company, while neither the company nor any of its directors must be a party or privy to any arrangement whereby the policy of

the company is capable of being determined by persons who are not directors, members, debenture-holders or trustees for debenture-holders. It is therefore plain, in the absence of excepting provisions, that the shares of an exempt company cannot *inter alia* be held on the trusts of a family settlement. The Seventh Schedule is concerned with a number of exceptions and paragraph 3 (1) provides as follows:

'The basic conditions shall be subject to exceptions for (b) any shares or debentures held by trustees on the trusts of a will or family settlement disposing of the shares or debentures . . .'

Paragraph 3 (2) (b) (ii) then defines 'family settlement' as:

'a settlement made . . . in favour of any of the following persons, that is to say the settlor, his parents and grandparents, and any other individual who at the date of the settlement is a member of the company or, in the case of a settlement of debentures, a member or debenture-holder of the company, and the wife or husband and issue, and the wife or husband of any of the issue of the settlor, his parents or any such other individual, and persons taking in the event of a failure of the issue or any class of the issue of any person taking under the settlement'.

This definition is further expanded by the inclusion within the meaning of wife or husband of a former or reputed wife or husband, while parents, grandparents and issue are to be ascertained on the basis that a person's child includes his step-child, adopted child or illegitimate child. Apart, therefore, from statutory restrictions as to what may be settled (if exempt status is not to be lost), the settlement may be in favour of almost anyone who can be referred to as part of the family, whether related by blood or marriage, provided that the marriage relationship is immediate and the blood relationship is not stretched to cousins.

## Uses of Family Settlements

The owner of a private company who is prepared to divest himself of a considerable part of his interest in his company in favour of his family

can ensure that his shares are valued on his death on an open market basis under Section 7 of the Finance Act, 1894, rather than on an assets basis under Section 55 of the Finance Act, 1940 (as amended). He can also ensure that the company is not director-controlled for the purpose of profits tax or for the purposes of Part XVII of the Income Tax Act, 1952 (which relates to pensions and pension schemes). Moreover, having shares in a private company held by the trustees of one or more settlements has a further advantage in that certain types of settlement make it possible to secure virtual immunity from surtax directions under Section 245 of the Act of 1952. In connection with such settlements it has been, hitherto, a common and widespread practice for a trust fund to be set up with an initial cash payment of £100 to the trustees of the settlement. The stamp duty on the settlement would then be 10s and no further duty would be incurred if further sums were transferred to the trustees in cash, although on subsequent purchases of shares *ad valorem* duty of £2 per cent would be payable. The £100 and any further trust moneys were then used to acquire shares in the family company, which would usually be an exempt private company. Of course, the shares themselves might equally well be settled in the first place, but usually at the cost of enhanced stamp duty, so that the initial cash settlement was generally preferred. Now, if a company is not to lose its exempt status, this method of effecting a settlement must be reconsidered in view of the decision of Cross, J., in *Re Prenn's Settlement; Truvox Engineering Co Ltd v. Board of Trade* ([1960] 3 All E.R. 564).

### Settlement of Cash

In that case the settlor, on March 19th, 1951, settled £200 for the benefit of the 'specified class' which was defined in the settlement as 'the settlor's sisters and the settlor's issue and the issue and spouses of the above-mentioned persons (not including the settlor or the wife of the settlor)'. The deed provided that the trustees should from and after the date of the settlement stand possessed of the £200 on trust:

'to invest or to apply the same in any of the investments or for any of the purposes hereinafter authorized with power at any time and from time to time to vary any such investments or purposes for others of a like nature'.

On the same day as the settlement was executed an exempt private company, in which the settlor was the principal shareholder, resolved to capital-

ize £50,000 of its undistributed profits and to apply this sum in paying up in full a number of its unissued first and second preference shares and ordinary shares (all of £1 each) and to allot those shares to existing shareholders. Under the resolution in question, the settlor became entitled to have a large number of the preference shares and ordinary shares allotted to him. Immediately after the passing of the resolution he arranged for 10,000 newly paid up second preference shares (which otherwise would have been allotted to him) to be allotted to the trustees of the settlement in consideration of the payment by them of £150, being part of the settled sum of £200. As a consequence, the trustees were registered as the holders of the second preference shares. (On the same day the settlor executed a second settlement in favour of 'the settlor's wife, sisters and issue and spouses (other than the settlor) or any of the above-mentioned persons' but this second settlement was not expressly dealt with in the judgment of the Court since the relevant provisions of both settlements were in the same terms.)

The company desired to retain the status of an exempt private company, but the Board of Trade by letter dated June 3rd, 1960, informed the company that it could not grant a declaration of exemption because the settlement was a cash settlement and there could be no 'settlement disposing of the shares' for the purposes of paragraph 3 (1) (b) of Schedule VII to the Act of 1948 if the settlor made no reference express or implied to those shares in the settlement. The company therefore applied to the Court for (i) the determination of the question whether, on the assumption that the settlement was a 'family settlement' within the meaning of the Act, the settlement was covered by the exemption contained in paragraph 3 (1) (b), notwithstanding that the 10,000 second preference shares were not expressly settled by the settlement, and (ii) for a declaration that the company was not disentitled to the status of an exempt private company.

### The Judgment

Cross, J., said that the main question to be decided was whether the words 'the trusts of a . . . family settlement disposing of the shares' meant that the shares must have been owned by the settlor at the date of the settlement and settled by him, or whether the words were satisfied by a settlement such as the one before the Court which was a settlement in cash, where the shares came to form part of the trust fund subsequently by way of

purchase. Counsel for the company had admitted that there was no point to be taken on the fact that £150 of the trust fund had been immediately applied in the purchase of the second preference shares on the same day as the settlement was executed. That being so, the result would be just the same if the shares were brought many years after the execution of the settlement on the occasion of a change of investment. It was argued on behalf of the company, however, that if the view of the Board of Trade were correct, inconveniences might arise which the Legislature could hardly be thought to have contemplated. For example, if a settlor settled shares in a private company by way of a family settlement and subsequently the company made a bonus issue of shares, it might be argued on the construction put forward by the Board of Trade that the bonus shares were not shares disposed of by the settlement and that therefore the exemption under paragraph 3 (1) (b) of Schedule VII would be lost.

His lordship agreed that there might be certain cases which would lead to inconvenience but he was of opinion that the view of the Board of Trade was correct. He said that on the construction urged by Counsel for the company the words 'disposing of the shares' really added nothing to the words 'shares held on the trusts of a will or family settlement' and they might just as well have been left out; but in any case the exempting words of paragraph 3 (1) (b) had reference to the trusts of a will or settlement where the shares formed part of the estate of the testator or were settled by the settlement and would not naturally include cases where the shares came to form part of the will fund or the settlement fund by a change of investment. Other parts of Schedule VII supported that construction; it was provided by paragraph 3 (2) (a) that:

'shares or debentures held by trustees on trusts arising on an intestacy shall, if the shares or debentures or an interest therein formed part of the intestate's estate at the time of his death, be treated as if the trusts arose under a will disposing of the shares or debentures'.

That sub-paragraph made it clear that the shares in question had to form part of the intestate's estate at the time of his death, and the shares were to be treated as if the trusts arose under a will disposing of the shares. It was equally plain that if the administrator under an intestacy, where there were trusts arising, acquired shares in a private company by an investment of trust

money, the shares would not fall within paragraph 3 (2) (a) and the exemption of the company would be lost. So far as his lordship could see there could not be the remotest reason for drawing a distinction between the case of an intestacy and the case of a will or settlement in this respect, so that paragraph 3 (2) (a) supported the view he had formed on paragraph 3 (1) (b) alone as to the meaning of the words 'a will or settlement disposing of the shares'.

The matter seemed to be made even plainer by the definition of 'family settlement' in paragraph 3 (2) (b). If the intention were that the trustees of a settlement made by a settlor who did not own the shares at the time when he made the settlement should be able to acquire shares in a private company under a wide investment clause without causing the company to lose its exemption, his lordship could see no reason why such a settlement should have to be a settlement made on the family of the settlor. On the other hand, if the requirement was, as Counsel for the Board of Trade had argued, that the settlor must own the shares at the time when he made the settlement, then it was quite natural that in considering what sort of trust disposition by a holder of shares was permitted, it should be limited to a settlement on his immediate family as opposed to a settlement on other persons.

### ***Sneddon v. Lord Advocate***

His lordship further said that he was confirmed in the view which he took of the meaning of the words 'disposing of the shares or debentures' by the decision of the House of Lords in *Sneddon v. Lord Advocate* (33 A.T.C. 16), to which Counsel for the Board of Trade had called his attention. The words there construed were:

'... and property taken ... under a ... disposition made by ... the deceased ...'

in Section 38 (2) (a) of the Customs and Inland Revenue Act, 1881. In that case there had been a settlement of a sum in cash (£5,000) and the cash had been applied in the purchase of investments. The question before the House was whether the investments which constituted the trust fund when the settlor died (worth £9,250) were property taken under the disposition made by him. The Lords said that they were not, but that the property taken under the disposition was the sum of cash. Although the words of the Act of 1881 were different, that view supported the conclusion at which his lordship had arrived in the case.

In fact, it is not entirely easy to see how the decision in *Sneddon v. Lord Advocate* does support his lordship's view. Section 38 (8) of the Finance Act, 1957, has the effect of nullifying the decision in *Sneddon's* case, as stated in *Halsbury's Statutes*, second edition, Volume 37, page 283; in these words:

'This subsection, by providing that in the case of a gift by way of settlement duty shall be payable on the property comprised in the settlement at the time of the donor's death, nullifies in effect the decision of the House of Lords in *Sneddon v. Lord Advocate* . . . and restores the validity of *Re Payne*, *Poplett v. Attorney-General* ([1940] Ch. 576).'

Of course, it sometimes happens that an *obiter dictum* in a case still holds good, notwithstanding that the effect of the decision in the case has been nullified by subsequent legislation, but in *Prenn's* case it was not an *obiter dictum* in *Sneddon v. Lord Advocate* which was considered, but the decision itself.

However, the decision in *Prenn's* case is mainly founded on other grounds and it is understood

that there is to be no appeal from that decision. The decision itself is therefore of prime importance to all concerned with tax planning and family companies, since the solution of the difficulty is not to be found simply by ensuring that in future it is shares in the company which are settled *ab initio*, and not cash.

While Cross, J., declined to say whether bonus shares could be regarded as included in the original shares, the dangers to the exempt status of private companies opened up by the new decision would seem to be many and real. Even if shares, and not cash, constitute the original trust fund, the position may arise at some future date when it is desired to invest accumulated trust income in the shares of the exempt company, or the company may decide to make an issue of shares on bonus terms. Are, then, the trustees to be debarred from taking advantage of the rights issue by reason of articles of association designed to preserve the exempt status of the company? The position seems to bristle with possible difficulties, most of which were probably never anticipated when the relevant statutory provisions were enacted. (To be concluded.)

## Transfer of Securities

### CONTRIBUTED

*The report of the committee comprising representatives of the principal City institutions, with Lord Ritchie as chairman, set up in 1959 to examine the problem of the transfer of securities, has already been briefly noted in these columns.<sup>1</sup> This article discusses the report in greater detail and describes the system of transfer recommended by the committee.*

THE committee concentrated upon securities representing loan and share capital of companies incorporated under the Companies Acts whose securities are quoted on the stock exchange, and did not specifically deal with the securities of private and chartered companies or with partly paid shares.

### Disadvantages of the Present System

The report sets out the principal defects in the present system of transfer by the use of the common form of transfer, some of which arise from variations in practice as between one company and another. As regards these, the committee

recommends that companies and the managers of Government stocks etc. should adopt a uniform practice in respect of the following matters:

- (1) No company should insist on the return of transfer receipts and balance vouchers before issuing certificates.
- (2) Fees, e.g. 2s 6d on the registration of a transfer, should be abolished unless required by statute, although some fees, e.g. for duplicate certificates and income tax vouchers, may be justified as punitive measures.
- (3) Spouses should be accepted as witnesses.
- (4) Designation of accounts by letter and/or number should be allowed.
- (5) Receipts for certificates of title sent by post should be dispensed with.

<sup>1</sup> *Report of the Committee on Transfer of Securities*, published by The Stock Exchange, London. See *The Accountant*, December 10th, 1960, at page 737.



- (6) When a change of name, e.g. on marriage, etc., or title is recorded in the register, the certificates should be recalled and endorsed so that they may be kept in line.

By far the commonest and most important defect in the present system, however, is the delay occurring between the decision to buy or sell a security and the completion of the transaction by the delivery of the share certificate to the purchaser. For this delay, the committee adduces the following main reasons:

- (1) The stock exchange system of fortnightly or three-weekly settlements, with the need at the end of such period for names to be passed, for instruments of transfer to be sent for execution to both seller and buyer, and for stamping, before being lodged with the company for registration.
- (2) Approval of transfers and sealing of certificates by companies is often at monthly intervals, instead of being dealt with frequently.
- (3) The variations in practice of companies and in their resources of skilled personnel and equipment.
- (4) The careless preparation of documents presented for registration.

The committee concludes that existing delays cannot be avoided so long as the existing system of stock exchange settlements and transfer of shares in the common form is maintained. Although conducive to delay, stock exchange settlements eliminate a large number of transactions which would otherwise involve transfers in a company's registers, and the committee considers they should be retained. As regards the transfer registration and transfer audit procedures of companies, the committee considers these should be streamlined, and that the period of one month between lodgment for registration and issue of the document of title, although permitted by present stock exchange regulations, is too long.

The 'villains of the piece' now emerge as the necessity for signature of each transfer by transferor and transferee, the necessity for attestation of those signatures, and the delay occasioned by the registration procedures of different companies. These 'villains' are entirely defeated by bearer securities, popular on the Continent and in North America, but as regards their use in this country, the committee raises the following disadvantages:

- (1) Bearer securities present substantial dividend payment problems.
- (2) Bearer securities involve complete anonymity of ownership.
- (3) Bearer securities are not acceptable to the average investor in this country, the title document being liable to loss or destruction.

The committee concludes that the interest of the United Kingdom investor is paramount and that the time is not ripe for asking him to accept bearer securities.

### Basic Requirements

Accepting the system of stock exchange settlements, and acknowledging the organization of company registration procedure to be a matter for the company concerned, the committee deals with the problem on the basis that there must be, in the company's register, an entry in which lies the title to the shares, and that if the investor's name is wrongly removed from the register he can have recourse against the company. The basic requirements of such a system are set out as follows:

- (1) Transfer of shares from one holder to another can only be on the signed authority of the transferor.
- (2) In addition to registration in the company's registers, the investor needs a certificate of title which is subject to the present rules of 'estoppel'. Such certificates facilitate market dealings, are useful in the ready raising of loans secured thereon, are customarily acceptable for audit purposes, and enable executors to prepare inventories of estates without having to refer back to the company.
- (3) An investor needs to be able to divest himself of his investments by signing a simple document on the spot.
- (4) There should be one and the same form of transfer for stock exchange transactions and non-market transactions.

The principal features of the present system which, it is suggested, might be discontinued, are the signatures of transferees and the attestation of the signatures of transferors. It will be recalled that the committee is not dealing with partly-paid securities, and as fully-paid securities involve the holder in no liability to the company, the formality of his signing the transfer to 'accept and hold the securities etc.', is unnecessary; nor does his specific agreement to become a member serve any useful purpose. The responsibility for naming the purchaser correctly, and for ensuring his legal capacity, can rest with the buyer's agent.

The value of attestation of signatures is doubtful and, in many cases, the execution is probably not actually witnessed. The committee suggests that attestation should be replaced by the stamp of the selling agent as emphasizing his legal responsibility for warranting the genuineness of

the document. In the case of non-market transactions, signatures should be confirmed by professional persons, e.g. bankers and solicitors. The citation of the date of execution and consideration should be in figures only, and in the case of joint transferors, the address of the first holder should be the only one required.

### Transfer by Stock Transfer Form

After considering and rejecting various methods used abroad, the committee elaborates two new systems, but the one finally recommended is the transfer by stock transfer form, supplemented by brokers' transfer forms. The two types of form will be differently coloured to avoid confusion.

The two forms of transfer are similar in layout, and each gives information corresponding to that given in a common form of transfer. The forms are divided into two parts. Part I, the upper part, gives particulars of the securities to be sold and of the transferor(s); Part II gives particulars of the transferee(s).

Part I of the stock transfer form provides for signature by the transferor(s) covering the total amount of securities to be sold, and for confirmation of such signature(s) by the stamp of the selling broker or, for non-market transactions, the bank, solicitor etc. The transferor(s) signature(s) can be obtained at any convenient time. This is the only transfer the transferor(s) will sign, irrespective of the number of persons to whom the securities are eventually sold.

Should all the securities be sold to one transferee, then Part II of the stock transfer form is completed by the buying broker who inserts particulars of the transferee(s) and affixes his stamp.

When, however, there are several different transferees each having acquired part of the securities being sold, several transfers will obviously be required. But this could now be a matter concerning only the selling and buying brokers. Part II of the stock transfer form is cancelled and the selling broker completes Part I of a brokers' transfer form for each transfer required, stamping this to the effect that the relevant stock transfer form has been lodged at the company's office. Particulars of the securities involved in each brokers' transfer form are endorsed on the stock transfer form, which is sent to the company concerned after having affixed the stamp of the certifying stock exchange and of the selling broker.

Eventually the brokers' transfer forms are completed by the buying brokers who complete Part II with particulars of the transferee(s).

When the individual brokers' transfer forms reach the registering company they are 'married' with the appropriate stock transfer form.

Where only part of the securities represented by the seller's certificate are being sold, certification and the issue of balance certificates will be required, as at present.

The committee does not consider that the proposed new system will produce any saving in labour to the companies concerned; indeed, the necessity for marrying stock transfer forms, constituting the holder's authority, with the relevant brokers' transfer forms may require more labour. On the other hand, it is contended, and particularly in the case of market transactions, that the reduced number of processes, the acceleration of delivery and the elimination of delay in the lodgment of transfers after settlement should make for economy. There will also be a reduced number of applications to the company for certification.

The proposed new system does not, of course, affect the 'hard core' of the problem represented by the period of the stock exchange settlement and the time taken by the company to deal with registration, share transfer audits and the issuing of certificates.

### Miscellaneous

The committee recommends that actions for rectification of the register (or for damages) should be barred within a fixed period from the date of the transfer and not from the date of the claim for rectification. This would reduce the time for which a company would need to retain instruments of transfer and all underlying documents of authority.

Delay would also be avoided if professional registrars, instead of having to send new certificates to the company for sealing, were enabled to issue certificates either under their own seal or under the signature of a suitable official.

To make for uniformity in the interpretation of powers of attorney and to make the administration of such documents generally easier, the committee suggests the establishment of some continuing body to act as a registry for powers of attorney dealing with stocks and shares. The registry would than 'mark' transfers executed under such powers as being within the scope of the authority.

With regard to stamp duty, the possibility is being explored of alternative methods of collecting duty on transactions in quoted securities. The committee is to prepare a further report on such matters as application forms, allotment letters, stock and share certificates and subsidiary matters.

# Inland Revenue Extra-statutory Concessions

In Operation at December 31st, 1959

*No new concessions have been brought into operation since January 31st, 1959. Two former concessions – Income Tax, No. 21 (Minors and Contingent Interests) and Corporation Duty, No. 1 (Temperance Societies) – have lapsed. We reproduce below, with the permission of the Controller of H.M. Stationery Office, the complete current list of extra-statutory concessions which appears as an appendix to the new 103rd report of the Board of Inland Revenue. The concessions are of general application and it must be borne in mind that in a particular case there may be special circumstances which will require to be taken into account in considering the application of the concession.*

## INCOME TAX

### 1. Agricultural Depression

Relief from income tax, Schedule A, is granted in respect of remissions of rent of farm land on account of agricultural depression.

### 2. Unoccupied Land

Relief from income tax, Schedules A and B, is allowed on waste and unenclosed land, and on agricultural land which the owner is unable to let or to farm himself.

### 3. Lost Rent

Relief from income tax, Schedule A, is allowed in respect of rent which is wholly and irrecoverably lost or waived owing to the bad financial circumstances or absconding of the tenant. (In Northern Ireland the relief is statutory.)

### 4. Unworked Mills and Factories

Relief from income tax, Schedule A, is allowed under the head of 'empty property' where mills or factories are unworked, notwithstanding that they contain machinery and that the machinery is turned occasionally for the prevention of rust.

### 5. Maintenance of Property

Section 101 of the Income Tax Act, 1952, provides that, if the owner of land or houses proves that the cost to him of maintenance, repairs, insurance and management, on the average of the five years preceding the year of claim, exceeds the flat rate repairs allowance for that year, he can claim repayment of income tax, Schedule A, on the property up to the amount of tax on the excess. The following relaxations are allowed:

- (a) Where the claimant owns both lands and houses, the claim may be based on aggregate expenditure on lands and houses taken together, irrespective of the actual separate expenditure on each of the two classes of property.
- (b) Where a new owner is unable to obtain details of previous owners' maintenance expenditure, a claim is admitted on the basis of his actual expenditure in the year of claim (provided that the expenditure is not exceptionally heavy) until a five years' average is available, if the claimant.

undertakes to accept the 'actual year' basis for five complete years.

- (c) The estimated cost of repairs obviated by alterations is allowed, provided the alterations have not created a new subject of assessment.
- (d) Where plant or machinery is employed for property maintenance, the actual expenditure on renewals of the plant or machinery as and when incurred qualifies for inclusion in a maintenance claim. As an alternative to this basis of claim, however, the claimant may charge, in place of the actual outlay on renewals, the normal allowances for initial allowances, wear and tear, etc., which would be due under Chapter II of Part X of the Income Tax Act, 1952, if the plant or machinery were employed in a trade or business.

### 6. Basis of Assessment of New and Altered Owner-occupied Property First Occupied on or after April 1st, 1956

Newly erected or structurally altered property in England and Wales which is occupied by the owner has in the past usually been assessed for income tax, Schedule A, on the basis of its valuation for rating. This has been done because the definition of gross value contained in the Rating and Valuation Acts corresponded closely to the definition of annual value for the purposes of Schedule A. Since the rating revaluation came into force on April 1st, 1956, however, the new rating assessments have not been used for Schedule A purposes and Schedule A assessments on this type of property are instead continuing to be made at the figures which would have applied had the assessments been made before April 1st, 1956.

This concession is subject to the concurrence of the General Commissioners of Income Tax for the division in which the property is situated.

### 7. Business Passing on the Death of a Trader

The death of a trader and the consequent passing of his business to his successor is an occasion for the application of the discontinuance provisions of the Income Tax Acts. Where, however, a business passes on death to the trader's husband or wife who has been living with her or him, the discontinuance pro-

visions are not enforced unless claimed. But, in any case, losses and capital allowances for which the deceased had not obtained relief are not permitted to be carried forward.

### 8. Machinery or Plant: Changes from a 'Renewals' to a 'Wear and Tear' Basis

Expenditure on machinery or plant which has been the subject of a 'renewals' deduction does not technically qualify as capital expenditure for the purpose of annual 'wear and tear' allowances or balancing allowances (Section 330 (1) (a) of the Income Tax Act, 1952). Taxpayers who change from a 'renewals' to a 'wear and tear' basis are, however, permitted to claim such allowances as if the expenditure did so qualify.

### 9. Management Expenses

Under Sections 425 and 438 of the Income Tax Act, 1952, life assurance companies etc. which are charged to tax on interest etc. by deduction or otherwise, and not on profits under Case 1 of Schedule D, are entitled to claim repayment of tax on management expenses.

The initial and annual depreciation allowances which would be given under the provisions of the Income Tax Acts on office machinery and motor-cars used for trade purposes, if the trade were assessed under Case 1 of Schedule D, are treated as management expenses for the purposes of claims under those sections. Similarly, the net annual value of premises owned and occupied for trade purposes is also treated as management expenses.

### 10. Deficiency Payments in Respect of Home-grown Cereals

Deficiency payments in respect of home-grown cereals should in strictness be credited, in the case of wheat and rye, by reference to the dates when the crops were sold and delivered, and, in the case of barley, oats and mixed corn crops, by reference to the dates of harvesting as grain. In practice, except where the 'commencing' or 'ceasing' provisions apply, final deficiency payments for cereals other than wheat are, however, allowed to be brought into account in the farmer's accounting year in which such payments are notified.

Further, where total deficiency payments are small or where they have been dealt with in the accounts in such a way that any adjustment in respect of such payments would be unlikely to make more than a small variation in the profits, no objection is raised to the liability being settled on the basis of the accounts.

### 11. Doctors' and Dentists' Superannuation Contributions

Under Section 378 of the Income Tax Act, 1952, contributions required to be made in pursuance of a public general Act of Parliament by the holder of an office or employment towards the provision of superannuation benefits may be deducted in assessing his

emoluments. Section 378 is, in practice, treated as extending to assessments under Schedule D on the profits of a medical or dental practitioner who is required to make superannuation contributions in pursuance of the National Health Service Acts. Where, however, the practitioner also pays premiums or contributions towards a retirement annuity within Section 22 of the Finance Act, 1956, the deduction for his statutory contributions is restricted to the difference between the amount on which relief is due under the Act of 1956 and the greatest amount on which he could claim such relief on paying a sufficient premium.

### 12. Flat Rate Allowances for Cost of Tools and Special Clothing

An employee who has to bear the cost of providing tools or special clothing necessary for his work is entitled, under paragraph 7 of the Ninth Schedule to the Income Tax Act, 1952, to an allowance for the expenditure incurred. For most classes of trade flat rate allowances have been agreed with the trade unions concerned, and these allowances are given without inquiry as to the expenditure actually incurred in the individual case. The existence of a flat rate allowance does not, however, debar an individual employee from claiming as a deduction the actual expenses he has incurred.

### 13. Miners: Allowances in lieu of Free Coal

Income tax is not charged on cash payments received by miners from their employers in lieu of the free coal which they have been entitled to receive by virtue of their employment.

### 14. Meal Vouchers

Where meal vouchers are, in law, taxable emoluments of the employees to whom they are issued, income tax is not charged on their value if the following conditions are satisfied:

- (a) vouchers must be non-transferable and used for meals only;
- (b) where any restriction is placed on their issue to employees they must be available to lower-paid staff;
- (c) the value of vouchers issued to employees does not exceed 3s for each working day.

For 1959-60 and subsequent years the value of any voucher or part of a voucher which does not comply with these conditions is taxed.

### 15. Pensions to Police Officers and Firemen

The amount by which the special pension awarded on retirement through disablement from injury on duty (or from war wounds) exceeds the pension which would have been awarded if retirement had been on ill-health grounds is not treated as income for income tax purposes. Similarly, a disability pension awarded in addition to a retirement pension is not treated as income.

## 16. Children of War Widows

(a) The exemption from income tax given by Section 380 (3) of the Income Tax Act, 1952, to payments made by the Ministry of Pensions to widows of members of the Forces in respect of their children is applied to similar payments in respect of children made to 'unmarried wives', and also to similar payments in respect of children made to widows and 'unmarried wives' of members of the Mercantile Marine and to widows of civilians who have died from war injuries.

(b) The same exemption is also applied to similar payments in respect of children which are made to war widows (or 'unmarried wives') by Commonwealth Governments.

## 17. Directors' Travelling Expenses

The general rule is that the cost to a taxpayer of travelling to and from his place of business is not allowable as a deduction in computing his tax liability; consequently, the full amount of an allowance paid by a company to a director or senior employee in respect of such expenses is chargeable to tax under Chapter II of Part VI of the Income Tax Act, 1952. The rule is modified in the following types of case:

(i) A director (whether whole or part time) of two or more companies within a group of parent and subsidiary or associated companies, whether or not entitled to separate remuneration from each of the companies of which he is a director, is regarded as having one place at which he normally acts as a director of companies within the group, and as entitled to a deduction (or a dispensation from assessment under Section 164 of the Income Tax Act, 1952) for expenses necessarily incurred in travelling from that place to other places on the business of the group in the course of his duties as a director. The same principle is applied to an individual who is an employee of one company and a director of another company within the same group of companies. (By 'associated company' is meant a company on whose board the group is represented because of the group's shareholding or other financial interest.)

(ii) A director who gives his services without remuneration to a company not managed with a view to dividends (e.g. a company owning a hall or sports ground, or running a club) is not treated as assessable in respect of any travelling expenses paid to him.

(iii) Where a directorship is held as part of a professional practice (and not, for example, because of some direct or indirect financial interest in the company), expenses incurred by the director in carrying out his duties are allowed as deductions in assessing the profits of the practice under Schedule D, whether the practice is carried on alone or in partnership.

Reasonable expenses paid to the director by the company are accordingly not assessed upon the director under Schedule E, provided no claim is made to a deduction under Schedule D.

'Travelling expenses' includes in all cases reasonable hotel expenses necessarily incurred.

## 18. Expenses Allowances and Benefits in Kind

Under Chapter II of Part VI of the Income Tax Act, 1952, expenses allowances and benefits in kind received by directors and (with certain exceptions) by senior employees are assessable to tax as emoluments of the director or employee, subject to a deduction for expenses incurred which satisfy the conditions laid down in paragraph 7 of the Ninth Schedule to the same Act. The following relaxations are made in practice:

(a) No assessment is made in respect of removal expenses borne by the employer where the employee has to change his residence as a result of transfer to another post within the organization, provided that the expenses are reasonable in amount and their payment is properly controlled. 'Removal expenses' includes such related items as a temporary subsistence allowance while the employee is looking for accommodation at the new station.

(b) Where the benefit assessable consists of a rent-free house, the director or employee is chargeable on the annual value (or the rent paid by the employer) and on expenses borne by the employer, such as rates. The amounts charged on the employee are restricted in the case of a patently old-fashioned and too large house.

(c) Under Section 161 (3) of the Income Tax Act, 1952, living accommodation provided for an employee (as distinct from a director) in part of the employer's business premises is exempt from charge under Chapter II of Part VI where certain conditions are satisfied. In practice the exemption is also allowed in the case of a full-time director of a company whose beneficial shareholding does not exceed 5 per cent of the ordinary share capital, unless his emoluments (including the value of benefits within the scope of Chapter II) exceed £2,000.

## 19. Dependent Relative Allowance

Where a dependent relative (within the meaning of Section 216 of the Income Tax Act, 1952) does not reside with the claimant and receives from him less than the amount of the allowance provided for by that section (as amended), an allowance of the actual amount of the contribution is given, though in strictness the requirement that the relative should be 'maintained' by the claimant is not fulfilled. Where contributions are made by two or more persons, though not amounting in all to the statutory allowance, an allowance of his actual contribution is given to each.

**20. Members' Contributions to Trade Unions**

So much of a member's contribution to a trade union (whether registered or not) as is allocated to superannuation benefits, in addition to any portion allocated to funeral benefits or life assurance, is treated as qualifying for life assurance relief.

**21. Residence in the United Kingdom: Year of Commencement or Cessation of Permanent Residence**

For the income tax year in which a person comes to the United Kingdom to take up permanent residence his income from abroad is not assessed on the basis of the income for a full income tax year but is computed by reference to the period of his residence here during the year. A similar practice is adopted for the income tax year in which a person ceases to reside in this country if he has left here for permanent residence abroad. (This concession does not apply to changes of permanent residence between the United Kingdom and the Irish Republic.)

**22. Interest etc. Paid otherwise than out of Taxed Income**

Under Section 170 of the Income Tax Act, 1952, tax deducted from interest, annual payments, etc., paid otherwise than out of taxed income has to be paid over to the Revenue.

Where interest etc. is so paid in a later year than the due year, but in the due year could have been paid wholly or partly out of taxed income, an allowance is made, in fixing the amount to be paid over under Section 170, for the tax which the payer would have been entitled (under Section 169 of the same Act) to deduct and retain if the interest etc. had been paid at the due dates.

If hardship would otherwise be caused, a similar allowance is made in the case of a trust or other non-trading institution paying interest etc. out of the taxed income of past years.

**23. Interest Paid in Full by a Trader to a Building Society**

Where, for the purposes of his trade, profession or vocation, a person pays annual interest in full to a building society which has entered into the special arrangements under Section 445 of the Income Tax Act, 1952, but his income is not sufficient to enable relief to be given under that section in respect of the whole of the interest, the amount in respect of which relief cannot be given is treated for the purpose of carry-forward relief as if it had been assessed under Section 170 of the Income Tax Act, 1952.

**24. Double Taxation Relief: Deduction of Unrelieved Overseas Tax**

Where overseas tax is credited against United Kingdom tax under a double taxation agreement or is the subject of unilateral relief, any excess of overseas tax which cannot be so credited or relieved is deductible in computing the amount of the overseas income for

income tax and profits tax purposes. Where there are relevant distributions chargeable to profits tax at the higher rate, the effect of the deduction is ordinarily to increase the total tax liability, and where this is so, no deduction is made for income tax or profits tax purposes.

**25. Double Taxation Relief: United Kingdom Branch of Non-resident Bank**

Tax credit relief under double taxation agreements is available under the law only to persons who are resident in the United Kingdom. Where, however, the United Kingdom branch of a non-resident bank has in the past received Dominion income tax relief on its investment income, but owing to the conclusion of a double taxation agreement such relief is no longer available, tax credit relief is given on the same income as though the bank were resident in the United Kingdom.

**26. Double Taxation Relief: Building Society Interest**

Paragraph 5 of the Sixteenth Schedule to the Income Tax Act, 1952, provides that credit for overseas tax shall not exceed the sum arrived at by charging the doubly taxed income at a rate (generally known as the 'effective rate') ascertained by dividing the United Kingdom income tax payable by the taxpayer for the year by his total income for the year. Interest received from a building society which has entered into the special arrangements under Section 445, of the Income Tax Act, 1952, is left out of account in calculating the effective rate.

**27. Double Taxation Relief: Alimony etc. under United Kingdom Court Order or Agreement: Payer Resident Abroad**

Where alimony or small maintenance payments are made under a United Kingdom Court order or agreement, the income arises from a United Kingdom source regardless of the country of residence of the payer. Notwithstanding that the source is, in law, a United Kingdom source, relief by way of credit is allowed where:

- (a) the person making the payments has left the United Kingdom and become resident in an overseas country;
- (b) the payments are made out of that person's income in that country and are subject to tax there;
- (c) United Kingdom income tax if deducted from the payments is duly accounted for; and
- (d) the payee is resident in the United Kingdom and effectively bears the overseas tax.

**28. Overseas Tax for which Credit is Not Allowable**

Tax paid in a country outside the United Kingdom by a United Kingdom resident on business profits arising there is, in general, treated as an expense of

the business if credit against the United Kingdom tax on those profits is not allowable or the right to forgo credit is exercised.

### 29. Bank Interest etc. received by Charities

The exemption from tax under Schedule D in Section 447 (1) (b) of the Income Tax Act, 1952, in favour of charities extends to yearly interest or other annual payments forming part of the income of a charity. In practice this exemption is extended to bank interest, whether yearly or not, received by charities and to discount on Treasury Bills held by charities.

### 30. Income of Roman Catholic Religious Communities or of their Members

The precise legal position as regards the title to such income, which is in fact treated by the community as belonging to the common fund, is often difficult to ascertain. In practice in the case of certain Orders (such as those engaged in charitable work among the poor) relief is given under the provisions relating to charities; in the case of the Contemplative Orders and other Orders which are not in law capable of being regarded as charities, a proportion of the aggregate income not exceeding £110 (£70 for 1956-57 and earlier years) per monk or nun (as representing the amount applied for the maintenance of each individual) is regarded as his or her income for the purpose of relief from tax.

### 31. Charities Exempt from Charge to Income Tax, Schedule D, Case VI - Short Leases

Charities are entitled to statutory exemption from tax on rents payable to them where the tax is chargeable under Schedule A, or, in the case of rents under leases for periods exceeding fifty years, under Schedule D. In practice, exemption is also given from tax chargeable under Schedule D on 'excess rents' under leases for shorter periods.

### 32. Loan and Money Societies

A loan or money society is granted such relief as will restrict the net income tax liability to tax on the amount of dividends and interest paid or credited to members or depositors having taxable income, less, as regards members, an appropriate deduction for management expenses contributed by them. The tax is calculated at the reduced rates on dividends and interest accruing to members and depositors who are liable only at the reduced rates.

### 33. Holiday Clubs and Thrift Funds

Clubs formed annually for the purposes of providing facilities for saving towards holidays are allowed such relief as will restrict the net income tax liability to tax on the proportion of liable income applicable to members having taxable income. Similarly, in the case of a thrift fund the relief allowable is such as will restrict the net income tax liability to tax on the amount of profits or interest paid or credited to members having taxable income. The tax is calcu-

lated at the reduced rates on income accruing to members liable only at those rates.

### 34. Registered Trade Unions

The exemption of registered trade unions under Section 440 (2) of the Income Tax Act, 1952, from income tax under Schedules A, C and D in respect of interest and dividends applicable and applied solely for the purposes of provident benefits is in practice extended to rents. It is also extended to interest, dividends and rents of any year in so far as they are actually applied to provident benefits within that year (although not 'applicable solely' to such benefits).

## SURTAX

### 1. Deduction for Mineral Rights Duty

Payments of mineral rights duty are not allowable as deductions in computing total income for taxation purposes. For surtax purposes, however, an individual whose income includes mineral rents and royalties is allowed a deduction, in computing his total income, in respect of mineral rights duty borne by him on the rents etc. receivable for that year. The deduction allowed is 1s in the £ of the gross mineral rents and royalties receivable (less any amount on which repayment of income tax in respect of management expenses has been made under Section 181 of the Income Tax Act, 1952).

### 2. Administration of Estates: Deficiencies of Income Allowed Against Income of Another Year

Under Section 419 of the Income Tax Act, 1952, a person who has an absolute interest in the whole or part of the residue of the estate of a deceased person is treated, during the administration period, as entitled to the residuary income of the estate (i.e. the gross income less certain deductions, e.g. in respect of annuities payable) or to the appropriate proportion thereof. If for a particular year the deductions allowable are greater than the gross income of the estate, the excess is allowed as a deduction in computing the net income of the preceding or succeeding years.

## PROFITS TAX

### 1. Directors' Remuneration from Director-controlled Companies

Paragraph 11 of the Fourth Schedule to the Finance Act, 1937 (as amended by Section 34 of the Finance Act, 1952), lays down, in the case of director-controlled companies, certain limits on the amount of the remuneration of the directors (other than whole-time service directors not owning or controlling more than 5 per cent of the ordinary share capital) which is to be allowed as a deduction in computing the profits of such a company for profits tax purposes. As from the beginning of 1951, in certain cases the limits depend on, *inter alia*, whether, for more than half the chargeable accounting period, there are two or more directors of the company (not being 'whole-time service



directors') who are required to devote substantially the whole of their time to its service in a managerial or technical capacity. If a director works as such for more than one company he is in practice regarded as falling within this definition in relation to that company which has occupied the largest fraction of his time during the chargeable accounting period if:

- (a) he has worked substantially full-time for the companies as a whole for more than half the chargeable accounting period; and
- (b) the time worked for the particular company under consideration amounts in the aggregate to more than half the full normal working hours of the chargeable accounting period.

## 2. Determination of Net Relevant Distributions to Proprietors

Section 39 (2) of the Finance Act, 1947, provides that where a body corporate not ordinarily resident in the United Kingdom controls, directly or indirectly, not less than half the voting power in a United Kingdom body corporate, distributions by the United Kingdom body to the overseas body shall be left out of account in determining the distributions to proprietors of the United Kingdom body taxable at the higher (distributed) rate. In a case where the overseas body exercises its control of the United Kingdom body indirectly through the medium of a 100 per cent United Kingdom subsidiary, distributions by the first mentioned United Kingdom company to that subsidiary are ignored in the same way as if they had been made to the foreign company. [Under the new scheme introduced by the Finance Act, 1958, the profits tax payable is not affected by the manner in which the profits are applied, and this concession accordingly ceased to be relevant in regard to chargeable accounting periods ending after the beginning of April 1958.]

## INTEREST ON UNPAID TAX

### 1. Death of Taxpayer before Due Date for Payment of Tax

Section 8 of the Finance (No. 2) Act, 1947 (see now, as regards income tax, Schedule D and surtax, Section 495 of the Income Tax Act, 1952), provided for interest (at 3 per cent per annum) to be charged on unpaid Schedule D tax, surtax and other taxes where:

- (a) the tax due on the assessment in question is more than £1,000, and
- (b) payment is not made within three months of the date on which the tax fell due.

Where a taxpayer has died before the date on which the tax fell due and his executors or administrators cannot pay the tax before they obtain probate or letters of administration, the interest charge on the unpaid tax is abated to the amount (if any) which would have been charged if the tax had become due on the date on which probate or letters of administration are obtained.

## ESTATE DUTY

### 1. Mourning

A reasonable amount for mourning for the family and servants is allowed as a funeral expense.

### 2. Duty Payable in Commonwealth Countries

Where no double taxation relief (under Section 20 of the Finance Act, 1894, or Section 54 of the Finance (No. 2) Act, 1945) is available in respect of duty payable in another part of the Commonwealth on property situated there, the duty is deducted from the capital value of the property in question in order to ascertain the value thereof chargeable with British estate duty. In strict law such a deduction is only admissible where the property is situated in a foreign country.

### 3. Roman Catholic Religious Communities

The property of Roman Catholic religious communities whose purposes are charitable is treated as trust property held for a charitable purpose even where there is no enforceable trust, with the result that estate duty is not claimed on the death of one of the nominal owners of the property.

### 4. Pensions etc. to Police Widows and Dependants

Estate duty is not claimed on pensions and other payments made upon a policeman's death to his widow or dependants under the Police Pensions Act, 1921, or the Police Pensions Act, 1948.

### 5. Surrender or Discharge of Legal Rights in a Scottish Estate

Where a surviving spouse or child within five years before his or her death unconditionally surrenders or discharges certain legal rights in a Scottish estate (*jus relictii, jus relictiae or legitim*), estate duty is not claimed, although it could be claimed under the provisions of Section 45 (2) of the Finance Act, 1940.

### 6. Disclaimer of Certain Rights under an English Intestacy

Where the surviving spouse of a person dying intestate disclaims unconditionally his or her right under English law to a net sum charged upon the intestate's residuary estate, estate duty is not claimed in connection with the death of the spouse although it could be claimed under the provisions of Section 45 (2) of the Finance Act, 1940.

### 7. Special Contribution Attributable to Gifts *inter vivos*

Where a death occurs before the end of the year 1947-48, Section 64 of the Finance Act, 1948, provides for a measure of relief from special contribution in respect of assets on which death duties are

payable. Where the death occurs after 1947-48, Section 64 affords no relief, but if by reason of such a death estate duty becomes payable in respect of a gift *inter vivos* and the income from the gift has been taken into account in an assessment to special contribution on the donee, the proportion of the special contribution attributable to such income is allowed as a deduction against the value of the gift for estate duty purposes.

#### 8. Loans to the Treasury Free of Interest

Certain British Government securities are exempt from death duties so long as they are in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom. In similar circumstances, exemption is allowed in respect of moneys loaned to the Treasury free of interest.

#### 9. Value Payments under the War Damage Act, 1943

Where the payment of duty on value payments under the War Damage Act, 1943, is postponed under the terms of Section 6 (3) of the Finance Act, 1894, the taxpayer is given the option of paying duty either

- (a) on the statutory basis, viz. on the value at the deceased's death of the sum received, with interest on the duty from the date of death; or
- (b) on the actual sum received, with interest on the duty from the date of receipt.

#### 10. *Inter vivos* Gifts to Charities

Where, at the donor's death, there is no existing fund which has been and continues to be directly benefited by the gift, the claim to duty is not pursued against the charitable institution.

#### 11. Settled Funds: Allowance for, or Repayment of, Legacy or Succession Duty

Section 29 of the Finance Act, 1949, provides that where estate duty (at the new consolidated rate imposed by that Act) becomes chargeable for the first time on settled property by reason of its passing on the death of the life-tenant, an allowance for any legacy or succession duty already paid on the capital value of the settled property shall be given against the charge of estate duty. It is a condition of relief that the property has not previously passed on the death, after the commencement of the Act, of a person not competent to dispose. In practice, this condition is treated as satisfied where the only previous passing under the settlement after the commencement of the Act was one on the occasion of which no estate duty was payable.

#### 12. Property Held in Joint Tenancy etc.

Property which is so disposed of as to be enjoyed by persons in succession on death, although technically

it may not be 'settled property' for estate duty purposes, is (except as regards cases falling within Section 33 (1) of the Finance Act, 1954) treated in the application of relieving sections as 'settled property' where it is to the interest of the taxpayer so to treat it, e.g. property held in joint tenancy.

#### 13. Civilian Deaths in Malaya, Korea, Kenya and Cyprus

The relief from estate duty formerly granted by war-time legislation (which expired in October 1950) to the estates of civilians dying from injuries caused by the operations of war is applied to the estates of civilians dying from injuries caused by the operations in Malaya, Korea, Kenya and Cyprus.

#### 14. Interest on Estate Duty on the Proceeds of Sale of Timber

Section 9 of the Finance Act, 1912, fixed the rate of interest on estate duty on the proceeds of sale of timber at 3 per cent. In practice interest is charged at 2 per cent, which is the current rate of interest on estate duty generally.

#### 15. Premium Savings Bonds held by Persons who died domiciled in the Channel Islands, Isle of Man or Northern Ireland

Premium Savings Bonds held by persons domiciled in the Channel Islands, the Isle of Man or Northern Ireland are treated for estate duty purposes as property situated outside Great Britain.

#### 16. Probate Fees Paid in India and Pakistan

Under the double taxation agreements with India and Pakistan credit is due in appropriate circumstances in respect of the estate duty imposed under the Indian Estate Duty Act, 1953, and the estate duty imposed by the Central Government in Pakistan. By concession, credit is also allowed in respect of the Court fees paid in India and Pakistan for obtaining probate, letters of administration or a succession certificate.

### • STAMP DUTIES

#### 1. Stamp Allowance on Lost Documents

Allowance of the stamp duty on lost documents is made either by repayment, where replicas have been stamped, or by free stamping of the replicas.

#### 2. Stamping of Replicas of Documents which have been Spoilt or Lost

Where the stamp duty is allowed on a document because it has been spoilt or lost and replaced by a replica but the duty has been increased so that the amount to be impressed on the replica is more than the amount allowable on the original, the additional duty is impressed free of charge.

### 3. Group Life and Pension Policies

Documents which assure to the members of a fluctuating body of unnamed persons (e.g. all the employees of a company) capital sums on death before retirement and/or pensions on retirement are assessed to stamp duty on the total at risk in one sum instead of on the individual amounts, no further duty being charged if a member withdraws without taking benefit and a new member enters in his place and takes a similar benefit.

### 4. Partial Release of Mortgage

The correct duty is 10s deed duty, but *ad valorem* duty at 1s per cent is accepted if such duty be less than 10s.

### 5. Transfer and Reconveyance of Collateral Security

The correct duty is 1s per cent. The practice is to limit the duty to 10s if the transfer of the original security is duly stamped.

### 6. Cheques

The Stamp Act, 1891, exempts from stamp duty cheques used for pay and other purposes connected with H.M. Forces. The exemption is treated in practice as extending to cheques used for the purposes of Allied Forces in this country and the Federal Republic of Germany.

### 7. Transfers of Stock issued by the Electricity Board for Northern Ireland or the Ulster Transport Authority

Transfers of stock issued by the Northern Ireland Electricity Board or the Ulster Transport Authority, which are exempt from stamp duty in Northern Ireland, are treated as exempt from stamp duty in Great Britain if the stock is not registered in Great Britain. (Reciprocal treatment is given by the Northern Ireland Government to transfers of stock issued by the nationalized industries in Great Britain which are exempt from stamp duty in Great Britain.)

### 8. Transfers of Stock issued by Local Authorities in Northern Ireland

Under Section 31 (2) of the Finance Act, 1953 (now re-enacted in part in the proviso to Section 34 (5) of the Finance Act, 1958), transfers of new local authority stock are charged to stamp duty at half the rate generally applicable to other transfers, i.e. at 1 per cent. The definition of new local authority stock in the said Section 31 (2) does not technically cover stocks of local authorities in Northern Ireland. In practice, the lower rate of stamp duty is charged on transfers in Great Britain of new stock by such local authorities.

Reciprocal treatment is given by the Northern Ireland Government to transfers of new stock issued by local authorities in Great Britain.

# The Accounting World

## TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

### CANADA

#### Merger of Accounting Bodies

GENERAL agreement has been reached between Committees of the Council of The Institute of Chartered Accountants of Ontario and the Board of Governors of The Association of Certified Public Accountants of Ontario, as to the desirability of a merger of the two organizations.

Since 1950, when members of the two organizations sponsored legislation to control public accounting in Ontario, the two bodies have worked closely together and differences between standards have been largely eliminated. It is now proposed that all members of the C.P.A. Association be admitted to membership of The Institute of Chartered Accountants of Ontario on the date of the merger, when the combined membership would be 4,962.

The Association has given recognition to the principle approved by the Council of the Institute that, by 1970 at the latest, university graduation should be the minimum entrance standard for students-in-accounts.

It is also proposed that licensees under the Ontario Public Accountancy Act, other than members or students of the qualifying bodies should be permitted to sit for the Final examination of the Institute if they wish, and be eligible to apply for membership of the Institute if successful.

Students who have secured experience presently satisfactory to the C.P.A. Association and who pass the examinations of the Institute will not, however, be eligible for public accounting licences without some minimum period of practical accounting experience, upon completion of which they will be entitled to the designation 'C.A.'. In the interim period, it is proposed that these students will have a separate designation such as 'A.C.A.'. On this point, it is to be hoped that, in fact, a more suitable choice of designation will be made in order to avoid conflict with the wider connotation of 'A.C.A.' among other chartered accountancy bodies.

Initially the Council of the merged organizations will consist of thirty-five members—twenty members from the Council of the Institute and fifteen members from the Association's board.

Meetings are to be held throughout the principal cities of Ontario, so that members may discuss the proposed merger.

### Interim Financial Statements

**A**N editorial in *The Canadian Chartered Accountant* for November states that the desirable practice of issuing interim financial statements is followed by less than one-quarter of Canadian public companies. The argument that such publication may assist competitors is to some extent answered by the fact that 99 per cent of the companies listed on the New York Stock Exchange now publish interim results, 93.5 per cent quarterly and 5.5 per cent semi-annually. As to the other argument that shareholders may be misled, this seems unlikely if comparative results are given with explanations of unusual variances.

In the autumn of 1959, the Montreal and Toronto Stock Exchanges encouraged their listed companies to publish interim results. Less than 15 per cent of them at present do so but many companies gave assurances which should bring the total to about 25 per cent. When that point is reached it is suggested that the exchanges might well consider making the publication of interim results a requirement for all new listings, shortly after which the present listings might be brought in line by compulsion.

### Internal Financing of Corporations

**I**N an address to the annual conference of the Canadian Institute of Chartered Accountants, Mr E. W. Kierans, President of the Montreal and Canadian Stock Exchanges, warned that Canada's internal growth is threatened by a surplus of labour, not a shortage of capital investment. Hence the use of labour should not be discouraged by the granting of tax concessions, through high capital cost allowances which have the effect of replacing labour by capital investment. More than 62 per cent of Canada's manufacturing, mining and smelting, oil and gas industries were under foreign ownership two years ago and the percentage is probably greater today. Enhanced depreciation allowances, for tax purposes, amount to accelerating the trend towards foreign control by easing the task of financing from internal sources, through interest-free loans from the Government and retention of profits.

Mr Kierans said that, of fifty American companies to which he wrote suggesting that they make equity participation available to Canadians, not one replied affirmatively. He thought the main reason was that they had no need of further funds from external sources. He showed that from 1949 to 1959 undistributed profits of Canadian companies grew from \$587 million to \$957 million, and capital cost allowances grew from \$1,673 million to \$4,131 million, so that the latter increased from 74 per cent to 81 per cent of total business saving. Also, from 1950 to 1957 profits fell from 14.4 per cent to 7.9 per cent of total assets, and dividends fell from 8.5 per cent to 4.6 per cent of

total equity. Mr Kierans commented that the latter might cast some doubt on management's claim that the retention of earnings is justified by an ability to invest profits superior to that of the shareholder. He cited a report that more than 300 petrochemical projects were under construction in the western world - twenty-two in Canada and over 100 in the United States. Assuming justifiably that 80 to 90 per cent are being financed internally he questioned how many would have been undertaken if all firms had been forced to secure their funds from the capital market. In today's complex, multi-product corporation he warned that the losses through excess capacity which would drive the single-product firm out of existence were written off against profits of other lines, thus being subsidized by the Treasury, through reduced tax revenues, and by the consumer through increased prices.

### SOUTH AFRICA

#### Johannesburg's New Stock Exchange

**T**HE Governor-General of South Africa, Mr C. R. Swart, will officially open the new Johannesburg Stock Exchange on February 6th. Representatives from thirteen world stock exchanges will attend the ceremony and the United Kingdom representatives will be Mr H. M. O. Knox, O.B.E., Deputy Chairman of the London Stock Exchange, Mr K. C. Byerley, Chairman of the Provincial Brokers' Stock Exchange of Britain, and Mr G. A. K. Simpson, T.D., C.A., Chairman of the Glasgow Stock Exchange.

The new £500,000 thirteen-storey building has been erected on the site of the old Johannesburg Stock Exchange in Holland Street, Johannesburg. The trading hall on the seventh floor rises through the eighth and ninth floors and covers an area of 6,000 square feet.

In addition to meeting the Prime Minister, Cabinet Ministers and other important leaders in South Africa, the overseas visitors will see something of what is being done for South Africa's industrial development and will take a part in a symposium on the potentialities of South African industry.

### UNITED STATES

#### Audits of Charitable Organizations

**A**N editorial in the *Journal of Accountancy* (New York) for November warned that the scandal of the Sister Kenny Foundation in Minneapolis, which has led to the indictment of the Foundation's executive director and the auditor, showed that auditing cannot have two standards, one for charitable organizations and another for commercial concerns. Certified Public Accountants, it was stated, have an extra responsibility to convince directors of such organizations of the importance of adequate internal control for these directors often seem unaware of their serious responsibility to the public.

# Weekly Notes

## Scottish Institute's Final Examination

IN December 1960 the Second Division of the Final examination was the only examination conducted by The Institute of Chartered Accountants of Scotland. There were 132 successful candidates whose names appear elsewhere in this issue.

The Institute's Distinction Prize, for the candidate whose aggregate marks over both the First and Second Divisions are above a certain minimum, was won by Mr Alan McEwan Thomson, of Glasgow. Mr Thomson also won the John Mann Prize, for the candidate obtaining in each year the highest number of marks above a certain minimum in the Second Division, and the John Munn Ross Prize, for the candidate whose aggregate marks over both the First and Second Divisions are the highest.

The J. C. Burleigh Prize, for the successful London candidate with the most meritorious performance in the First and Second Divisions as a whole, was won by Mr Frank Alexander Harding, and the Guthrie Prize for the successful woman candidate for the Second Division of the Final examination in each year whose aggregate marks over both the First and Second Divisions are the highest, was won by Miss Elizabeth Margaret Nobel Rankine, C.A., of Edinburgh.

## Capital or Revenue?

RALLI ESTATES, a Tanganyika company, has lost its income tax appeal to the Privy Council. The appeal concerned payments made by the company in respect of its occupancy of two large sisal estates formerly belonging to enemy nationals. The Tanganyika Government granted to the company rights of occupancy for ninety-nine years at a rent of 2s per acre per annum, a 'premium' of £311,000, and a royalty on all sisal fibre exported from the estates up to a maximum of £174,600, reducible in certain events. Under the contract this £174,000 was described as 'the balance of the purchase moneys' which purchase moneys were expressed to be 'for the unexhausted improvements on the land, including leaf, building, machinery and equipment'. The price of sisal was so high that the £174,600 was paid off within two years.

The company claimed the right to deduct the £174,600 as an expense in arriving at taxable profit, but the claim was rejected by the East African courts. Dismissing the company's appeal Lord Denning said (according to Tuesday's *The Financial Times*) that the £174,600 was of a capital nature and therefore not deductible revenue expenditure. The reference to purchase moneys in the contract did no more than describe the true nature of the £174,600, making

explicit what was obscured by the use of the word 'royalty'. The right of occupancy was a long-enduring one.

## Professional Negligence Appeal Dismissed

AN appeal by Mr John de Savary, company managing director of Coleshill, Bucks, against the dismissal in the Queen's Bench Division on January 11th, 1960, of his claim for damages against Messrs Holden, Howard & Co, Chartered Accountants, of Abchurch Yard, London, EC (see *The Accountant* of January 16th, 1960) was dismissed by consent in the Court of Appeal last Tuesday. No order was made as to costs.

Mr L. Lewis, for Mr de Savary, said he withdrew all allegations of negligence against Messrs Holden, Howard & Co. The litigation arose, Mr Lewis had told the Court, from an investigation by the accountants into Mr de Savary's affairs and those of three companies run by him, including Associated Rural Structures. Acting on the accountants' report, Mr de Savary had accepted large orders at what proved to be uneconomic prices, said counsel.

The trial judge found that the accountants acted solely for a bank where Mr de Savary had his account, and were under no duty to Mr de Savary. His lordship had added that he was satisfied that the method of keeping the companies' records had misled the accountants, and it would be wholly unjust to foist Mr de Savary's misfortunes on them.

## Company Law Committee

MINUTES of evidence taken before the Company Law Committee at its seventh public hearing on November 18th, 1960, were published last week.<sup>1</sup> Witnesses appeared on behalf of the Association of British Chambers of Commerce, the Committee of Scottish Bank General Managers and the National Association of Trade Protection Societies. The written submissions of the first two bodies named are included as appendices to the report.

Appearing as one of the witnesses representing the A.B.C.C., Mr S. R. Hogg, D.S.O., M.C., F.C.A., indicated that in his view and that of the Association, the accounts of exempt private companies, like those of any other company under the Companies Act, should be audited by auditors qualified under the Act, though such companies should not be obliged to file their accounts with the Registrar. On the subject of non-voting shares, which he supported providing that on all documents they were described as non-voting shares, Mr Hogg said that it was a very good idea that the holders of such shares should be permitted to attend company meetings, although they could not vote, to see what was going on.

The minutes of evidence taken before the Committee at the eighth day of its hearings (November 25th 1960) were published on Tuesday<sup>2</sup>.

Attached to the minutes in the form of three

<sup>1</sup> H.M.S.O. 4s 6d net.

<sup>2</sup> H.M.S.O. 3s 6d net.

appendices are memoranda by the Council of Associated Stock Exchanges, Mr Charles Clore, and the Association of Stock and Share Dealers. The Council were represented by Mr C. T. Ockleston, its president, and Mr Arthur Owen, its secretary. Mr Clore was accompanied by his solicitor, Mr L. Sainer, and the Association was represented by its chairman, Mr P. G. Smith, and its secretary, Mr W. A. Tuckwell, F.C.A.

Mr Clore made some interesting observations both in his memorandum and in his oral evidence on the topic of take-over bids. He expressed the view that in the Lintang case the existing shareholders did very well out of the take-over bid. The Association of Stock and Share Dealers had some criticisms of some members of stock exchanges. Its memorandum included the observation that for the small investor the degree of skill attained by the investment broker of his choice was an unknown factor and only too often was of a pathetically low standard. The Association would like professional qualifications to be required of all persons giving investment advice.

### Challenge to Property Developers

THERE is no doubt that the next ten or twenty years present the property development world with a very great challenge', Mr E. C. Uren, F.C.A., told a town planning general meeting of The Royal Institution of Chartered Surveyors in London, last week.

Mr Uren, who is deputy managing director of John Laing & Sons Ltd, said that property development in Britain was passing through a period of transition between the making good of the ravages of the war years, and the planning and carrying out of the development appropriate to the needs of the latter part of the twentieth century.

'The war', he said, 'not only created sites for development but also gave rise to great scarcity of all types of accommodation. This situation naturally attracted a number of opportunists who came to take advantage of these conditions as quickly as they could. By purely financial standards many of them were very successful, but their influence on post-war reconstruction, particularly in London, is apparent in the number of uninteresting and unnecessarily shoddy buildings which exist today.'

During the past twelve months, the pattern had been changing. There were relatively few devastated sites left, and plans for the redevelopment of those that remained were well advanced. We were now coming to the time when we would be carrying out the work that should have been in progress in the nineteen-forties had not the war intervened.

### 'Instant Dividend' at the Co-op

THIS week the Leicester Co-operative Society opened the first 'instant dividend' store in the Midlands. The branch has been chosen for its nearness to new and prospective cut-price stores in that city. It is providing a range of grocery goods at prices claimed to be the lowest in Leicester.

Dividend cheques are not being issued at the time of purchase. Instead, the dividend is being covered in the price. In effect, therefore, the Society is offering at this store reduced prices in place of dividends. The policy, no matter under what form of words it is dressed, could therefore be a significant thin edge of a very large wedge in co-operative price and dividend policy. Similar stores are reported to be scheduled for Nottingham, Lincoln and Derby.

### Attack on Retail Price Maintenance

A NEW Hobart paper published for the Institute of Economic Affairs has now appeared under the title *Revolution in Retailing*<sup>1</sup>, by Mrs Christina Fulop.

The pamphlet sets out to trace the effect of recent innovations in retailing which are changing the structure of distribution, the effect of these changes on retailers, wholesalers and consumers and, finally, how far Government intervention is necessary in retailing to protect the consumer's needs. The main points in the pamphlet are that only five years ago retail distribution lagged behind advances in industry. In consequence the advantages of industrial progress were dissipated on their way through distributive channels before reaching the consumer. Changes in retailing have resulted in widening the area of competition in a geographical sense and intensifying competition between different types of retailing. The author thinks that post-war social and economic conditions have helped competition by increasing leisure time for shopping and that such things as pre-packaging and branded merchandise have helped to identify lower prices. This growth in competition has led to the introduction of voluntary chains, the expansion of leased shops and tied houses and the beginning of self-service wholesaling. The consequence has been a higher standard of shopkeeping. She thinks that competition would further benefit consumers if there were more consumer protection and greater freedom for hours of opening for retailers.

It is suggested that the small shopkeeper can survive if he exploits his flexibility and personal service while joining in voluntary chain or buying combines. The future for department stores is seen to be among discriminating purchasers who are prepared to pay for service. This involves better salesmanship along with higher salaries and better working conditions. Co-operative societies should further amalgamate and independent wholesalers should take the initiative in forming voluntary chains.

Protection of the consumer, according to the author, should take the form of the amendment and tightening-up of existing laws, not new legislation. The Shops Act should be abolished and the sections of that Act on employment and welfare of employees should be transferred to the Wages Councils Act. Individual retail price maintenance should be made illegal.

<sup>1</sup> Hobart Paper No 9. Barrie & Rockliff, London, 3s 6d.

**Wages and Hours in 1960**

**I**N 1960 there was an increase of 4 per cent in the average level of weekly wage rates in the main industries and services. Accompanying this there was a reduction of nearly  $2\frac{1}{2}$  in normal weekly hours of work. This meant that there was an increase of just over  $6\frac{1}{2}$  per cent in the hourly rate of wages. In manufacturing industry the figures were rather higher.

Nearly 12.75 million manual workers covered by collective agreements or statutory wages received either wage increases, a reduction in hours or a combination of both. Of these about 5.25 million received both a wage increase and a fall in hours. It

is apparent that over industry as a whole there is a tendency for wages to increase and hours to fall to such an extent that the hourly rate of pay is increasing more quickly than either the conventional measurement of weekly wage rates or the annual increase in industry's productivity. This tendency for what is now called a 'wage drift' to develop has been apparent for some time but it has been very much in evidence over the past year or so. It is a problem which is likely to receive a good deal of attention from economists in the future for it is becoming apparent that conventional measurements of increases in weekly wage rates are not satisfactory as a measure of pressure of wage costs on prices.

# *This is My Life . . .*

by An Industrious Accountant

## CHAPTER 62

**I**'VE been feeling rather ashamed of myself these last few days. I feel that I behaved rather badly; my ego is chastened and my ears burn as if someone is slandering me, but I don't know how to redeem the situation.

It started several weeks ago. I was driving in to the office on a drizzly cold morning when I saw old Smith walking down to the bus stop, so I offered him a lift. He accepted, of course. He's a big, burly, rather pompous fellow, assistant-accountant to a big local firm, whom I've met casually once or twice, and it hardly seemed right just to pass him. That was my first mistake.

A couple of mornings later he saw me coming, stopped walking, and signalled cheerfully with his thumb, so I picked him up. Then he started waiting for me regularly, and sometimes strolling up to my gate on a fine morning to stand waiting till I've backed out, puffing comfortably at his pipe and reading his paper. He's become a fixture.

I didn't really mind, though he wasn't much value as company. He always opens the conversation with his pet catch-phrase: 'Morning. Well, what's new?' This is rather pointless, since we've both heard the same bulletin at 8 a.m. and in addition, we read the same paper. Then later he asks some perfunctory questions about the prospects of the weather, or what do I think of that Minister - 'you know, what's-his-name, well, his speech last night'. But he's not really interested; mostly, he sits in phlegmatic silence.

Some weeks ago, he brought along someone he introduced as Young Jerry, and the whole situation changed. They talk animatedly all through the drive about people I never heard of, and I feel rather like the chauffeur. Jerry is thin and small and sandy, and

seems to resent anyone successful, and Smith is patronizing; so few reputations emerge unscathed. I was talking once about the merits of getting a sea-breeze on all possible Sundays when Young Jerry said, with an unmistakeably spiteful edge, 'That's all right for you fellows with big cars'. Well, I mean to say.

Jerry gets out first - I only have to make a small detour for him - and Smith relaxes again until I drop him in turn at his own door, after another detour; he collects his paper, and hat, and umbrella, and briefcase, and a couple of parcels, and heaves himself out slowly. He sometimes says thanks.

Well, last Sunday my wife and I were in the front garden when these two passed by on their morning walk. I must say I expected some little show of cordiality. Greetings . . . introductions, and perhaps 'so kind of your husband, every morning, jolly decent chap, what'. Maybe a suggestion of a sherry and drop in and see their place. Not a bit of it. They passed by with a ceremonious raising of hats and a cool, appraising nod, and hardly interrupted their conversation.

So yesterday morning I gave them both barrels. As they strolled up, I slowed down with my friendliest grin and called out cheerfully something about having to do a message, so sorry, and sped by.

I saw Smith's mouth open in startled surprise, and Jerry's face went suddenly alive with annoyance; then they were just little figures receding in the driving mirror. I hoped they hadn't missed their bus. This morning I overslept and was really in a hurry, so I was doing 55 m.p.h. when I passed them standing at the corner. Too late to stop and back up . . . I waved quickly . . . saw two set, glowering, faces . . . and they were past.

What do I do now? They're probably quite decent types, really, and I don't want friction over a triviality, though there should be give and take. If they've been selfish, I've been petty-minded; next time we meet should be interesting. Sinbad the Sailor was forced to use violence to rid his back of the Old Man of the Sea; in 1961 we should be capable of devising more subtle remedies.



# Finance and Commerce

## The Hallé

FROM time time we feel it to be useful to feature accounts which for the majority of readers may be out of the common run – such as those of charities, local societies, churches, etc. A previous instance was the Royal National Institute for the Blind in the issue of November 26th last; and this week's reprint is of the accounts of the Hallé Concerts Society.

The Hallé Society is a company limited by guarantee, under the patronage of H.R.H. The Princess Royal, with, of course, Sir John Barbirolli as its conductor-in-chief and musical adviser. The accounts to July 31st last were presented at the sixty-first annual general meeting of the Society held in the Lord Mayor's Parlour, Manchester, three days before Christmas.

These accounts, prepared by Mr C. Yates Lloyd, F.C.A., the honorary treasurer, on a completely new layout, are designed to give the maximum information in an easily readable form – for, says Mr Lloyd, members of the Society 'are from all walks of life and are normally more interested in the details of the expenditure than one might imagine'. The new layout also clearly indicates the cost, in current conditions, of maintaining such a society as the Hallé. A very material factor is the rising expenses which have to be faced, thus increasing the call of the Society for moneys outside direct membership or the sale of tickets.

## A Charity

It is gratifying to the committee, says Mr Lloyd, to record that the Arts Council guarantee, in addition to their grant this year, is sufficient to enable the income and expenditure account to be balanced without call upon any of the reserves. Particularly as, in view of the pension scheme, not only will reserves require implementing, but the expected increase in musicians' salaries is likely to result in a further increase in expenditure during the current year.

Many people, states Mr Lloyd, have asked whether the Society ranks as a charity for tax purposes, including queries from solicitors' accountants who are advising clients upon legacies and wills or even on gifts *inter vivos*. The Society does, of course, so qualify.

In its review of the year, the committee records its gratitude to Associated-Rediffusion Ltd, who have extended their contract with the Society until 1962.

This continued support is of the greatest value artistically, as well as financially, because not only does it enable the promotion of concerts in London and the provinces, but it enables the Society to introduce to the public young British artists and conductors and, by rehearsal run-throughs, give young British composers an opportunity of having their works played.

## No Photographs

READERS will no doubt have seen in their newspapers recently the report of the first meeting of creditors and contributories of Vactric Ltd. The story was mainly about Mr W. G. Pegley, the chairman, owner of nearly half of the two million 5s share capital, who was offered 55s a share for it in 1959 but refused to take it and now finds his £2½ million paper fortune worth next to nothing.

One incident which does not seem to have been reported but which has a strong bearing on the conduct of meetings, was the objection by shareholders to being photographed. Photographers had already 'flashed' Mr F. M. Collins, the Senior Official Receiver, who was conducting the meeting, but apparently unbeknown to him, another camera operator had quietly snapped the shareholders, one of whom objected. Mr Collins asked for the feeling of the meeting which in no uncertain terms supported the objection. And the photographer was quietly but firmly told that his pictures were not to be used.

The Press is normally welcomed at company meetings although it has no inherent right to attend. Since the war, however, there has been an increasing tendency for some members of the Press to take liberties at company meetings.

## Firmer Hand Required ?

While a meeting is actually in progress a reporter is occasionally to be seen, pushing his way around, importuning this person and that, looking for the 'human' story. What follows in print may bear no relation to the company or its business.

At the last annual meeting of The Gordon Hotels – or rather before the meeting opened – photographers were requested to put their apparatus outside the room. No photography was allowed.

No doubt, as we quoted Mr C. C. Miller, B.COM., F.C.A., chairman of Thomas Blackburn & Sons Ltd, 'public companies are national, not local, institutions', but from the conduct of some sections of the Press of today, it might almost seem that company meetings are held for their special benefit.

Let it be added that the occasions are few. Fortunately few companies find themselves in the position of attracting such publicity. But a little action from chairmen in appropriate circumstances might be wholesome.

**HALLÉ CONCERTS SOCIETY**  
(An Association Limited by Guarantee)

**BALANCE SHEET**  
at 31st July, 1960

	1960	1959
£	£	£
<b>FIXED ASSETS</b>		
Library as valued at 31st March, 1932, plus additions at cost less sales	3,859	3,597
Musical Instruments at cost	4,592	4,477
Furniture and Fittings at cost	3,973	3,815
Deduct Amounts written off	12,424	11,889
	12,093	11,558
	331	331
Investments (at market value, page [141])	53,229	54,658

**CURRENT ASSETS**

Sundry Debtors less Provision for doubtful debts

Cash at Bankers and in Hand

	13,466	14,166
	24,535	17,276
	38,001	31,442

**DEDUCT:****CURRENT LIABILITIES**

Sundry Creditors

Provisions and Amounts Accrued  
1960/61 Season: Amounts received less amounts prepaid

	14,883	14,130
	15,625	13,821
	30,508	27,951
	7,493	3,491

**NET ASSETS****CAPITAL**

Amounts received in advance of calls

**RESERVES**

General Reserve	29,924	29,924
Investment Reserve	54	1,483
Musical Instruments Renewals Fund	6,897	6,353
Donations and Legacies Received	9,714	9,196
Concert Hall Donation	300	300
Foreign Tours Donations	200	
Pension Provision Fund	2,504	
Revenue Account	1,981	1,981
	51,574	49,237

A. DUCKWORTH } Members  
of  
C. YATES LLOYD } Committee

**INCOME AND EXPENDITURE ACCOUNT**  
for the Year ended 31st July, 1960

	1960	1959
£	£	£
<b>EXPENDITURE</b>		
Salaries and Expenses of Orchestra and Conductor	108,154	99,869
Concert Promotion Expenses	59,225	49,607
Orchestra Administration and Rehearsal Costs	2,063	1,789
Music Library and Instruments	877	827
(Including provision for renewals)		
General Administration (page [141])	13,858	14,748
Furniture and Fixtures	158	425
Hallé Magazine	90	100
	184,425	167,365

**DEDUCT: INCOME****FROM ORCHESTRAL PERFORMANCES**

Concert Income	142,766	128,176
Royalties	537	714
Relay Fees	339	323
Programme Advertising	1,161	1,148
	144,803	130,361

**SUNDRY REVENUE**

Membership Subscriptions	1,754	1,522
Sundry Receipts	780	891
Annuity	31	27
	2,565	2,440

Bank Interest and Investment Income

Less: Provisions for Pensions

	2,504	2,220
	2,504	—
	147,368	2,220

**GRANTS AND GUARANTEES (page [141])**

Balance for the year ended 31st July, 1960

Balance brought forward at 31st July, 1959

	37,057	32,344
	37,057	32,344
	—	—
	1,981	1,981
	1,981	1,981

**BALANCE CARRIED FORWARD**

**HALLÉ CONCERTS SOCIETY**

ENDOWMENT FUND				SICK AND BENEVOLENT FUND			
BALANCE SHEET — 31st JULY, 1960				BALANCE SHEET — 31st JULY, 1960			
	£	1960	£	1959	£	1960	£
<b>INVESTMENTS</b>							
(at Market Value, page [below])		5,844		6,065		2,097	2,107
<b>CURRENT ASSETS</b>							
Sundry Debtors	57		64				
Cash at Bankers	987		530			800	1,062
		1,044		594			
<b>NET ASSETS</b>		6,888		6,659		2,897	3,169
<b>CAPITAL ACCOUNT</b>							
Balance at 31st July, 1959	4,718		4,320			3,169	3,150
Hall & Club Contribution	100		25			133	16
Donations during year	77		250			1	1
Investment Appreciation	—		123			—	2
	4,895		4,718			3,303	3,169
<b>Deduct</b>							
Investment Depreciation	220		—			11	
	—	4,675		4,718		395	
<b>INCOME ACCOUNT</b>						406	—
Balance at 31st July, 1959	1,941		1,691				
Income from Investments and Bank Interest	272		250				
	—	2,213		1,941			
		6,888		6,659		2,897	3,169

## NOTES ON ACCOUNTS

[illegible]

\* Not reproduced

## CITY NOTES

IT is now extremely difficult to diagnose the true condition of the stock market. The market's temperature is high because of 'take-over' fever but if that fever were to subside the market's basic health might still not be particularly robust. For the present, however, the fever is in command and the setting up of a special committee to look into allegations of leakage of information on the Odhams-Thomson affair could well be extended to cover a much wider field.

From price movements this past week it is a comparatively easy task to pick as many as two dozen shares which have been the subject of take-over talk some of which has been substantiated. The case of the Wolsey company showed the way of things. The shares rose as much as 8s in a few days and, denying any take-over development, the board admitted that, in conversation, the chairman of another company had suggested to the Wolsey chairman that a merger of their concerns might be useful. Knowledge of that conversation, the company maintained, was not known beyond the Wolsey boardroom.

The source of the market rumours was presumably outside the Wolsey company but the rumours reached the market none the less. Experience has shown that it is possible to arrange a merger and make the news a surprise to the City and there is a growing opinion that the Stock Exchange Council could, with advantage, remind company boards that market rumours should be investigated and officially commented upon.

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Redeemable Preference Shares

SIR, — In your issue of January 21st, you reprinted the accounts of Mercantile Credit Co Ltd, and reported on a shareholder's comments on the optional redemption terms contained in an issue of 5½ per cent Redeemable Cumulative Preference shares.

It has always been a fundamental principle of company law that the rights of shareholders can only be altered with the sanction of a three-fourths majority of the class concerned.

In this case the company has altered the type of share from redeemable cumulative preference to cumulative preference relying on the optional terms contained in the articles of association for their authority, without the sanction of a class meeting of

## RATES AND PRICES

*Closing prices, Wednesday, February 1st, 1961*

**Tax Reserve Certificates:** interest rate (26.11.60) 3%

## Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

## Treasury Bills

Nov. 25	£4 12s 9.25d%	Dec. 30	£4 6s 11.78d%
Dec. 2	£4 12s 5.55d%	Jan. 6	£4 6s 10.38d%
Dec. 9	£4 9s 7.83d%	Jan. 13	£4 6s 1.51d%
Dec. 16	£4 7s 6.04d%	Jan. 20	£4 3s 8.22d%
Dec. 23	£4 7s 1.45d%	Jan. 27	£4 3s 3.70d%

## Money Rates

Day to day	3½-4½%	<b>Bank Bills</b>	
7 days	4½-4½%	2 months	4½-4½%
<b>Fine Trade Bills</b>		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

## Foreign Exchanges

New York	2.80½-½	Frankfurt	11.70½-½
Montreal	2.77½-½	Milan	174½-½
Amsterdam	10.60½-½	Oslo	20.03½-½
Brussels	139.74½-½	Paris	13.74½-½
Copenhagen	19.35½-½	Zürich	12.09½-½

## Gilt-edged (revised List)

Consols 4%	64½xd	Funding 3% 59-69	81½
Consols 2½%	43½	Savings 3% 60-70	77½xd
Conversion 5½% 1974	93	Savings 3% 65-75	70½xd
Conversion 5% 1971	91	Savings 2½% 64-67	81½
Cov'sion 3½% 1969	83½xd	Treas. 5½% 2008-12	90½xd
Conversion 3½%	57½	Treasury 5% 86-89	86½
Exchequer 5½% 1966	99½	Treasury 3½% 77-80	71½
Funding 5½% 82-84	94½	Treasury 3½% 79-81	70½
Funding 4% 60-90	88	Treasury 2½%	42½
Funding 3½% 99-04	62½	Victory 4%	94xd
Funding 3% 66-68	82½	War Loan 3½%	58

preference shareholders and without passing a special resolution to alter the articles of association.

The articles of association of the company still contain clauses dealing with 5½ per cent Redeemable Cumulative Preference shares but in the printed balance sheet the shares are shown as 5½ per cent Cumulative Preference shares.

As this procedure seems to be quite contrary to the Companies Acts it would be interesting to know if any of your readers have experienced a parallel case.

Yours faithfully,  
CHARTERED SECRETARY.

## Form of Accounts

SIR, — The balance sheet of the Mercantile Credit Co Ltd, reproduced in your issue of January 21st, seems to be in a form-unusual by current standards in that the assets are arranged in the reverse order, so far as there can be a formal order, to the liabilities, and it would be most interesting to know what the reasons for this treatment might be.

Is it not also unusual for a public company to make no reference, beyond the figures, to such a substantial decline in the market value of the interest in an

associated company, but perhaps this was dealt with in the chairman's statement, which naturally enough was not reproduced.

Yours faithfully,  
J. C. DURNIN.  
London, SW1.

[The company's current assets, principally the hire-purchase debtors, are the main earning asset rather than the offices and equipment: there would therefore seem to be a fair case for putting first things first. On the point of the decline in the market value of the interest in an associated company, the chairman in his statement said: 'Although there has been a substantial decline in the market value of our shareholding in the company, its latest published accounts disclose a net asset value of our shares approximating to their cost, the company concerned being Interprovincial Building Credits Ltd, of Toronto'. - Editor.]

### The Small Practitioner

SIR, - I have read the letters appearing under this heading with the utmost interest as they are all in harmony with my own views. I am particularly interested in the question of registration of the profession and I feel that if the present Council cannot negotiate this then those interested should get together and put forward a candidate or candidates for the Council who will leave no stone unturned until registration has been effected. As already pointed out by one correspondent, the Law Society were able to attain registration and I can see no reason why we should not be able to overcome any obstacles in our path as they did. My time as an overworked small practitioner is limited, but I should be willing to give a little of this in co-operation with interested members with these ideals in common.

Yours faithfully,  
A. J. ANDERSON, F.C.A.  
Birmingham.

### As Others See Us

SIR, - I have waited with dismay several weeks to see if editorial reference would be made to correct the mis-statement in your editorial 'As others see us', dated October 29th, 1960. Belatedly I now write to draw your attention to the error. The editorial speaks of 'yardsticks to measure the communal worth of the accountant' and later states that 'the importance of the profession is officially recognized by the Government by restricting those eligible to audit public and non-exempt private companies to chartered and certified accountants'. This is not so because the Government included also incorporated accountants among those eligible, either by virtue of their membership of The Institute of Chartered Accountants in England and Wales, or by individual application to the Board of Trade if not members of the Institute.

The incorporated accountant members of the Institute are a distinct class so that when you refer to 'chartered accountants' you necessarily exclude the incorporated accountant members, and unwittingly contribute to the apparently growing impression that incorporated accountants have ceased to exist.

Though this impression is not correct it is not surprising because the correct phrase 'members of the Institute of Chartered Accountants' is commonly abbreviated to 'chartered accountants'. In justice to the prestige which formerly attached to 'incorporated accountants' and bearing in mind your own status as 'The recognized weekly organ for chartered accountants and accountancy throughout the world' please remember our existence and refer to us by name on the appropriate occasions.

Yours faithfully,  
E. G. DAVIES,  
F.S.A.A., A.I.M.T.A.  
Solihull, Warwicks.

### Property Company: Liquidation

SIR, - A private limited company, director controlled, was formed to purchase premises which were retained for several years, during which for taxation purposes the company was treated as an investment company. During this period the directors drew remuneration up to the maximum allowable for profits tax from a separate trading company. In 1960 the property company sold the premises and the directors wish to wind up, in which event the proceeds of sale plus undistributed profits, less costs and the capital originally subscribed, will be paid to shareholders. As the company owned the one property only and at no time engaged in any other activity, it seems clear that the profit on sale must be regarded as capital. Can any of your readers visualize any other tax difficulties or complications?

Yours faithfully,  
CLIVE.

### Architects' Goodwill: Small Country Practice

SIR, - We should be pleased to have readers' comments upon the basis which is generally used for the valuation of architects' goodwill. We act for a client whose gross fees and net profits during the past three years are as follows:

		Gross		Net
1958	.. ..	4,502	.. ..	1,866
1959	.. ..	5,450	.. ..	2,538
1960	.. ..	6,230	.. ..	2,426

He is contemplating the admission of a partner and has asked us to value his firm's goodwill. Subject to any views to the contrary which may be expressed by any of your readers, we are thinking of basing this on one and a half years' purchase of the average of the last three years' gross fees.

Yours faithfully,  
K.

### Goodwill: Newsagent and Tobacconist

SIR, - Views of readers would be appreciated on the valuation of goodwill in respect of a newsagent's and tobacconist's shop, which includes the wholesale rights for Sunday newspapers.

Yours faithfully,  
D. B.

# Electronics in the Office

## Computer with Random-access Memory

**A**N outstanding feature of the new National Cash Register '315' electronic data-processing system is a high-capacity, random-access information store which not only memorizes millions of facts but can recall any of them in a fraction of a second.

Known as RACE, the new memory employs magnetic cards held in magazines. The capacity of each magazine is over five million alpha-numeric characters and up to sixteen magazines can be used simultaneously, providing either random or sequential access to over 88 million alpha-numeric characters or over 130 million decimal digits. Moreover, since the magazines are readily interchangeable the total filing capacity is unlimited. Access time is about 170 milliseconds.

The big advantage of a random-access memory is that transactions affecting sales, production, stocks, finance, etc., can be processed in random order as soon as details are received. Not only does this make it possible to maintain up-to-the-minute records; it also eliminates the pre-sorting of computer input data which, with magnetic tape storage, detracts from the overall speed and efficiency of electronic data processing.

Transistorized throughout, the '315' system is designed exclusively for business work. Other peripheral equipment includes high-speed punched-card readers (up to 2,000 cards per minute), tape readers, punches, magnetic tape units, electronic document sorters and inquiry units. For output, the central pro-

cessor is coupled to one or more N.C.R. line printers which produce invoices and other documents at up to 1,200 lines per minute.

## Second Computer for Motor Industry

**A** LEO II/C computer was recently installed at the Canley, Coventry, head office of Standard-Triumph International Ltd. The second LEO to be put into operation in the car industry, it will at first undertake supply, costing and production stock control. Later, its use will be extended to cover other work.

## Filmstrips on E.P.D.

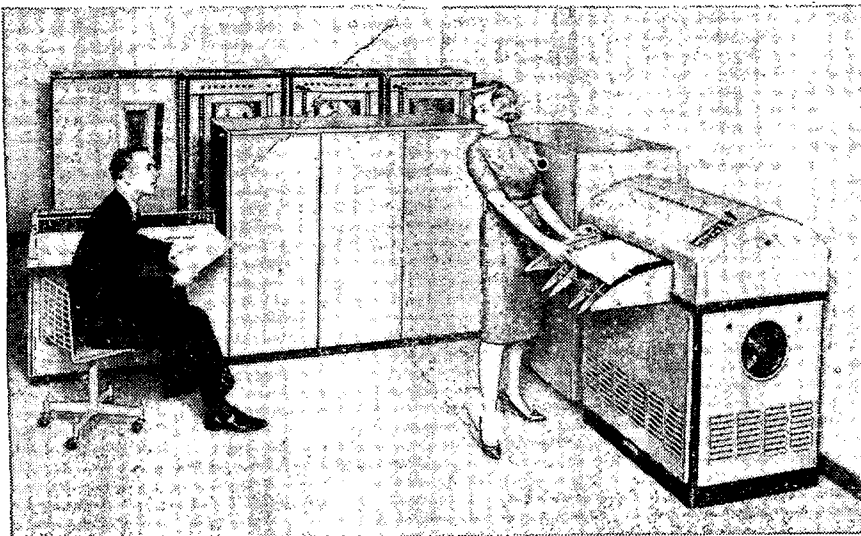
**A** SERIES of ten filmstrips on electronic data processing is being produced by the Electronic Data Processing Division of The Institute of Office Management. The first of these entitled 'What is electronic data processing?' and 'How a computer works' (which is in two parts) have now been completed.

Speaking at a recent preview in London, Mr N. C. Pollock, M.B.E., chairman of the E.D.P. Division committee of the Institute, said that the object of the filmstrips was to provide an authoritative visual guide on computers which was simple to understand, devoid of direct advertising, and prepared specifically for the United Kingdom. It was also the object of the committee, he said, to produce strips so that they would have reasonable expectation of life and not be quickly out of date due to technical development.

The first filmstrip, which has a running time of eighteen minutes, serves as a general introduction to the series. It explains what is meant by electronic data processing, the significance of the concept of a common language medium and the possibilities inherent in it for linking up different types of office machines. The first part of the second filmstrip traces the evolution of the digital computer from the abacus and explains the difference between decimal and binary notation. Various types of mechanisms by which data is fed into a computer, how information is 'printed out' and the significance of 'on-line' and 'off-line' processing are explained.

Running time is thirty-three minutes. The second part of the filmstrip, which has a running time of thirty-five minutes, deals with the operation of computer storage and includes a detailed account of how the control unit executes a computer programme.

The first filmstrip costs £10 (for members of the Institute, £8) and the other two £15 each (for members of the Institute, £10). Each filmstrip is accompanied by a recorded commentary suitable for reproduction at 33½ r.p.m. They are available from the Secretary, The Institute of Office Management, 56 Victoria Street, London, SW1.



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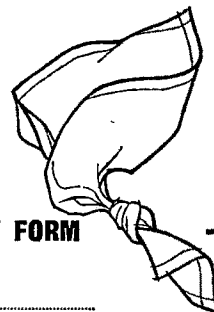
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# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

## Results of Examination held in December 1960

### FINAL EXAMINATION

(Second Division)

As a result of the examination held on December 12th, 13th, 14th, 15th, and 16th, 1960, the undermentioned 132 candidates passed the Second Division of the Institute's Final examination. Their names appear in alphabetical order and are followed by the names of the firms of the masters to whom they were indentured or assigned, an asterisk indicating a candidate who passed with distinction.

Aiton, A. K. (Wilson, Stirling & Co), Glasgow.  
Anderson, J. (William Duncan & Co), Glasgow.

Barr, J. (A. G. McBain & Co), Glasgow.  
Barr, S. R. (Wilson, Stirling & Co), Glasgow.  
Biggam, R. A. (Wilson, Stirling & Co), Glasgow.  
Bloy, R. H. (J. Y. Finlay, Robertson & Co), London.  
Bolton, I. McP. (Kerr, Macleod & Macfarlan), Glasgow.  
Boyd, J. (Barstow & Millar), Edinburgh.  
Bremner, C. C. (McKerrell Brown & Gray), Edinburgh.  
Brough, J. (William Bishop & Co), Edinburgh.  
Brough, P. McL. (Muir & McIntyre), Glasgow.  
Brown, H. J. (Wylie & Bisset), Glasgow.  
Buchanan, W. B. (W. M. Stevenson & Co), Johnstone.  
Burns, R. B. (John E. Watson & Co), Glasgow.

Cairncross, R. E. (Moody Stuart & Robertson), Dundee.  
Calder, K. M. (Robertson & Carphin), Edinburgh.  
Campbell, A. F. (Brown, Fleming & Murray), Glasgow.  
Cann, C. (Mann, Judd & Co), London.  
Coghill, W. S. (McKerrell Brown & Gray), Edinburgh.  
Cormie, W. D. (Maxtone Graham & Sime), Edinburgh.  
Cousland, R. C. (Chiene & Tait), Edinburgh.  
Cowan, I. A. McD. (A. G. McBain & Co), Glasgow.  
Cridlan, G. R. (McClelland, Moores & Co), London.  
Cullen, P. B. (Mitchell, Kennaway & Co), Aberdeen.  
Cummock, M. S. (Wilson, Stirling & Co), Glasgow.

Dalgety, M. G. (Don & Stewart), Dundee.  
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Wilkie, A. G. (Moody Stuart & Robertson), Dundee.  
Wilson, D. S. (Miss) (Grahams, Rintoul, Hay, Bell & Co), Glasgow.  
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## Notes and Notices

### PROFESSIONAL NOTICES

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND of Australia announce that they have amalgamated their practice with that of WILSON, DANBY & FERRES of 17, Currie Street, Adelaide, South Australia.

MESSRS LEIGH, STRUDWICK & Co, Chartered Accountants, announce that they have removed their offices to 9 Philpot Lane, Eastcheap, London, EC3.

MESSRS TRIBE, CLARKE, DARTON & POLLOCK, Chartered Accountants, of 62 High Street, Rochester, Kent, announce with great regret the death of their senior partner, Mr K. C. POLLOCK, B.Sc., F.C.A.

### Appointments

Mr E. H. Davison, F.C.A., has been appointed financial director of General Electric Co Ltd. The board of Courtaulds Ltd has agreed to release Mr Davison from his position as treasurer of that company so that he can take up his new duties on March 1st, 1961.

Mr W. G. M. Price, F.C.A., has been appointed a director of Barry & Staines Linoleum Ltd, and of Barry, Ostlere & Shepherd Ltd.

Mr C. H. Angell, F.C.A., financial director of B.S.A. Tools Ltd, has been appointed to the board of Harford Pumps Ltd. Mr E. M. Kevehazi, F.C.A., has been appointed secretary of Harford Pumps Ltd.

Mr T. V. Emmerson, F.C.A., has been appointed deputy chairman of Chamberlain Consolidated Ltd.

Mr H. Booker, F.C.A., secretary of Cravens Ltd, has been appointed a director of the company.

Mr C. A. Pither, F.C.A., has been appointed director and secretary of Kestner Evaporator & Engineering Co Ltd.

Mr R. H. L. Verling, F.C.A., has joined the board of C. & W. Walker Ltd.

### OBITUARY

#### William James Crafter, F.C.A.

We have learned with regret of the death on January 13th at the age of 68, of Mr William James Crafter, F.C.A.

Educated at Bancroft's School, Essex, Mr Crafter was admitted to membership of The Society of Incorporated Accountants in 1922 and was elected to fellowship in 1945. He became a Fellow of The Institute of Chartered Accountants in England and Wales in 1958, following integration. At one time managing clerk of Peat, Marwick, Mitchell & Co, Chartered Accountants, of London, Mr Crafter commenced his business career as a company secretary in 1924 and later became a company director.

A past chairman of the former Incorporated Accountants' London and District Society, he was an Alderman of Essex County Council; governor of the London Hospital; a member of the Metropolitan Water Board and the Lea Conservancy Board, and a former local councillor of Chigwell Urban District Council.

A prominent freemason, Mr Crafter was an officer of the United Grand Lodge of England and served as treasurer of the Sir James Martin Lodge (formerly The Incorporated Accountants' Lodge). He was also a freeman of the City of London and a former member of the Royal Choral Society.

#### Kelvin Clayton Pollock, B.Sc., F.C.A.

It is with regret that we record the death of Mr Kelvin Clayton Pollock, B.Sc., F.C.A., at the age of 72. Mr Pollock was the senior partner of Messrs Tribe, Clarke, Darton & Pollock, Chartered Accountants, with which firm he served his articles, before being admitted to membership of the Institute in 1912.

Associated with the firm's Rochester office since 1919, he was a well-known figure locally and his kindly interest and guidance will be greatly missed. He was for many years connected with the London School of Economics Society and was its president in 1957.

## OBITUARY

**Harold Francis Legg, F.C.A.**

We have learned with regret of the death on January 17th of Mr Harold Francis Legg, F.C.A., at the age of 64.

Mr Legg was admitted to membership of The Society of Incorporated Accountants in 1921 and later joined Peat, Marwick, Mitchell & Co, Chartered Accountants. He was appointed accountant of John Perring Ltd in 1935 and subsequently became secretary. In 1948 he was appointed joint managing director of the company following the death of its founder the late Sir John Perring, D.L., J.P.

Following integration, Mr Legg became an Associate of The Institute of Chartered Accountants in England and Wales in 1958 and was elected to fellowship in 1960.

## CITY OF LONDON COLLEGE

### Retirement of Mr E. Cassleton Elliott

Mr E. Cassleton Elliott, C.B.E., F.C.A., has retired from the chairmanship of the governing body of the City of London College, and, in recognition of his thirty-five years of highly-valued service, has been appointed to the office of President of the College.

The governors have elected as their chairman Mr W. F. Crick, C.B.E., B.COM., who has been a member of the governing body since 1949 and who served as a member of the Royal Commission on the Taxation of Profits and Income.

## DOUBLE TAXATION: FAROE ISLANDS

The United Kingdom and the Danish Governments have agreed that, subject to the approval of Parliament, the double taxation convention between the United Kingdom and Denmark shall be extended with the necessary modifications to the Faroe Islands.

The extension is expressed to take effect in the United Kingdom from April 6th, 1958. Details were published last week as a schedule to a draft Order in Council.

## GRADUATED PENSION SCHEME

The Minister of Pensions and National Insurance has made two further sets of regulations concerning the arrangements for contracting employees out of the new Graduated Pension Scheme which commences next April.

Under the first set of regulations<sup>1</sup>, a 'contracting-out' certificate issued by the Registrar of Non-participating Employments to one employer will continue in force if the business passes to the ownership

<sup>1</sup> The National Insurance (Non-participation - Continuity of Employment) Regulations, 1961, S.I. 1961, No. 138. H.M.S.O. Price 3d.

<sup>2</sup> The National Insurance (Non-participation - Benefits and Schemes) Amendment Regulations, 1961, S.I. 1961, No. 137. H.M.S.O. Price 3d.

of a new employer who keeps on the old employer's pension arrangements for the employees. This may happen, for instance, when a partnership is dissolved and a new partnership is formed to carry on the business, or a limited liability company is formed to carry it on. The second set of regulations<sup>a</sup> will enable employees in the United Kingdom whose pension rights are guaranteed by legislation of governments of any part of the British Commonwealth to be contracted out of the graduated part of the National Insurance scheme.

## Leaflet for Employees

A short leaflet, (N.I. 122) explaining the graduated pension scheme is now available at local Pensions and National Insurance offices, and at Post Offices. Bulk supplies of the leaflet are available to employers for distribution to their employees from the Ministry of Pensions and National Insurance, Department 'P', 10 John Adam Street, London, WC2.

## NEW GILT-EDGED OFFERS

Last Wednesday the Treasury announced the issue for cash of a further tranche of £300 million of 4½ per cent Conversion Stock 1963, at a price of £99 7s 6d per £100 nominal payable in full on application. The first interest payment, on June 15th next, on the additional stock will be at the rate of £1 14s 5d per £100 nominal. The list of applications was opened and closed yesterday, February 11th.

The company announced that holders of 2½ per cent preference shares of 1956-61, of which £796 million had been issued, were being offered exchange of their holdings for ordinary shares of 1961, into a further tranche of 100 million shares in 1966. Holdings will be repaid by the company by payment of 10s per share, and the balance of the stock tendered will be repaid by the company by stock tendered for exchange of 10s per share, which is in addition to the 10s per share now being paid. Existing holders of 10s per share now existing will be repaid by the company by stock tendered for exchange of 10s per share, which is in addition to the 10s per share now being paid. Existing holders of 10s per share now existing will be repaid by the company by stock tendered for exchange of 10s per share, which is in addition to the 10s per share now being paid.

### DESS, BUCKS AND HERTS BRANCH

The third one-day conference of the Beds, Bucks and Herts Branch of the London and District Society of Chartered Accountants will be held at Harpenden, Herts, on February 22nd (as announced in *The Accountant*, of December 3rd last).

The theme of the conference will be 'Management accounting' and the provisional programme has now been arranged and includes a review of the activities of the London and District Society by the Chairman, Mr G. R. Appleyard, F.C.A., and of the branch activities by the Branch Chairman, Mr J. B. Pinnock, F.C.A. In addition, an address on 'Management accounting—fact or fiction?' will be given by Mr Christopher

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Bostock, M.A., F.C.A. Later there will be discussion in groups followed by reports by group leaders and a final general discussion.

The committee hope that as many members of the branch as possible will attend the conference and those wishing to do so should advise the branch secretary, Mr E. J. Frary, F.C.A., 26 Victoria Street, Luton, not later than February 13th.

#### CITY DISCUSSION GROUP

The next meeting of the City Discussion Group of Chartered Accountants will take place on Wednesday next, at *The Tiger Tavern*, 1 Tower Hill, London, EC3, at 6 for 6.30 p.m. The subject, 'Accountants and the need for creative thinking', will be introduced by Mr Harry Ward, M.Sc., F.R.I.C., F.C.I.S.

#### SW. LONDON DISCUSSION GROUP

The next meeting of the South West London Chartered Accountants' Discussion Group will be held at *The Kingston Hotel*, Kingston upon Thames, on Monday next, at 6.45 p.m. Mr J. C. S. Connell, M.A., F.C.A., will open the discussion on 'Decimal currency'.

#### THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

##### Next Week's Meetings

The following meetings of the London Students' Society will be held next week:

*Monday*, Visit to the Stock Exchange (and members).

5.30 p.m., at the Bank of England and with Mr. Thompson-McCausland, Bank of England.

6.15 p.m., at the Institute: 'Appointments', by Mr. A.C.C.A.

*Tuesday*, 6 p.m., at the Institute: General Meeting procedure and the work of Miss H. M. Taylor, Principal, Speakers.

*Wednesday*, 6 p.m., at Chelmsford: 'Company accounts', by Mr H. A. Astbury.

6.15 p.m., 'The Taverners', dinner at the Taverners Club.

*Thursday*, 5.15 p.m., at the Institute: Introductory course lecture on 'The fundamentals of accountancy', by Mr R. J. Carter, B.COM., F.C.A., Secretary of the Students' Society.

'59 Club' theatre party.

*Friday*, 5.15 p.m., at the Institute: Introductory course lectures on 'The functions and form of the profit and loss account and the balance sheet', by Mr R. J. Carter, B.COM., F.C.A., and 'The English judicial system - II', by Mr P. W. Medd, Barrister-at-law.

*Saturday*, at Dublin: Rugby Football v. Irish Chartered Accountant Students' Society.

#### SEVENTY-FIVE YEARS AGO

FROM *The Accountant* OF FEBRUARY 6th, 1886  
*Chartered Accountants' Benevolent Association*

The following circular has been issued by the Institute:—

3, COPTHALL BUILDINGS,  
THROGMORTON STREET,  
LONDON, E.C., 25TH JAN., 1886

SIR,—The desirability of establishing a Benevolent Association in connection with the Institute of Chartered Accountants in England and Wales, has been under the consideration of the Council, and I am directed to issue this circular with the view of ascertaining what support such an Association would be likely to receive from the Members of the Institute.

The Council have drawn up a scheme for the formation of the proposed Association, a copy of which is annexed.

It is proposed that every person willing to give a donation of Fifty guineas to the Association shall become a Vice-President, and that the remaining Members shall be divided into three classes, viz.:—Governors giving a donation of Thirty guineas, or an annual subscription of Three guineas, Life Members giving a donation of Ten guineas, and Ordinary Members subscribing not less than one guinea a year.

Seventeen Members of the Institute have promised to become Vice-Presidents, and others to become Governors or Donors conditionally upon a sufficient number of Members expressing their intention of joining one or other of the classes mentioned.

If you are willing to support the Association, kindly fill up and return the enclosed form, stating to which class you intend to belong.

I am, Sir,  
Your obedient Servant,  
W. G. HOWGRAVE  
*Secretary.*

#### THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday next in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be John, Chapter 17, verses 15 to 19 (Christ's prayer that the Church may be kept pure).

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## Pounds or Pennies?

**W**HEN the Council of The Institute of Chartered Accountants in England and Wales replied to the questionnaire issued by the metric committee of the British Association for the Advancement of Science early in 1959, it expressed the opinion that a majority of the members of the Institute would give unqualified approval to the introduction of decimal coinage to the United Kingdom. In its memorandum just submitted to THE CHANCELLOR OF THE EXCHEQUER in response to the Government's recent request for expressions of view on the subject - the memorandum is reproduced on other pages - the Council comes out even more strongly in favour of the change and concludes that decimalization of the currency should be adopted in principle immediately and implemented with all speed.

There is, however, one fundamental change in the Council's present attitude and that is towards the method of decimalization which should be selected. In its reply to the British Association two years ago it expressed a preference for keeping the pound as the basic unit of currency with sub-divisions of either 1,000 mils or 100 cents. Now, in its submission to THE CHANCELLOR, the Council favours a ten shilling unit divided into 100 cents each the approximate equivalent of the existing penny. Arguments for retaining the pound involving sentiment and familiarity, although respected, are rejected and the advantages of adopting a new system which would have a ready association of value with the old in the myriads of small change transactions of everyday life are upheld.

The attitude of the Council in advocating prompt decimalization of the currency is probably indicative of the way public opinion is shaping and it seems likely that the Government having contemplated the problem for so long, is on the point of being persuaded at long last to take action. Whether the 'sterling' or 'sovereign' (or whatever the ten shilling unit would be called) would be wafted into favour by a wind of small change or whether the strong forces of tradition would keep the mighty pound on its pedestal is an intriguing conjecture and the symposium of responsible opinions now being gleaned by the Government should be as widespread as possible. The first essential, however, is to ensure that whatever the form of currency to be adopted, the principle of decimalization is quickly and completely accepted. The alternative of the United Kingdom alone clinging to an outmoded currency system *contra mundum* is a situation too dangerous seriously to be contemplated.

# A Flaw in the Jewel?

Does the Concept of Double-entry need to be Re-examined?

by T. E. GAMBLING, B.Com., A.C.A.

Lecturer in Financial Administration, Birmingham College of Commerce

**I**N his *Commonsense of Science*, Dr Bronowski points out that an outstanding and authoritative thinker sometimes can strangle original thought in his particular science. He quotes Newton, Adam Smith and Freud as examples. The trouble seems to be that such great men achieved so great an output of profundities that ordinary students can devote their working lives to their study. As a result of this, later innovators can be accused of having insufficiently studied the science; by 'the science' is meant no more than the hypotheses of the long-dead sage. This tendency can be very dangerous when the hypothesis comprises a completely logical and closely argued philosophical system, not too heavily based on empirical research, and when subsequent workers in the field can devote their considerable talents to explaining away divergences between the currently acceptable theory and observable fact.

## Remarkable Survival

Certainly it is possible to see many traces of the 'age of reason' in most economists up to this day; such as an untroubled acceptance of cause and effect as illustrated by the time-honoured phrase 'other things being equal'. It appears that things are no longer thought to be so tidily precise in the physical sciences. However, if economics is heavily indebted to the eighteenth century, an even more remarkable survival is to be found in the closely-allied science of accounting, where the basic technique of double-entry book-keeping has come down to us in unchanged form from the fifteenth century and must surely be the only major field of human endeavour where the basic technique has survived for some five centuries without substantial revision.

In the Public Record Office are to be found the journal and ledger of Thomas Laurence, a Tudor merchant-venturer, and it is very strange to reflect that a present-day accountant would undoubtedly treat his trading transactions in no different fashion from that employed by his then competent, and now long-dead, book-keeper. If one speculated on any other aspect of the life of this Tudor merchant one would never find such complete agreement; the prescriptions of his

physician are irrational barbarities, while the navigation of his ship's captains would be thought suicidal; even the outlook of his lawyer and his spiritual adviser would not coincide with those of their present-day successors.

Considered against the history of science, double-entry book-keeping is very much a product of its time – the latter part of the Middle Ages. Perhaps it is significant that its first known exponent was a Franciscan friar-professor who must have had no difficulty in reconciling its underlying theory with the teachings of his more spiritually-minded brethren. A typical medieval concept, double-entry is a system into which any action on the material plane can be neatly fitted; the well-known basic notion being that every action has a dual nature, every application having an equal and opposite source. In short, a mathematical projection of the theological premise that God alone can create matter in the strict sense of making it out of nothing.

It would, of course, be extremely illogical to suggest that merely because an idea is handed down from antiquity it must be discarded automatically; clearly some of the ideas of Plato, Archimedes and Pythagoras appear to express eternal verities, but if any difficulty is discovered in reconciling such ideas with observable fact, their validity deserves re-examination.

## Cracks in the Structure?

Double-entry is not without its stumbling-blocks; whatever approach he uses, anyone who teaches the subject to beginners must be very conscious of how far-fetched the concept of a cash-book conferring a benefit on wages sounds when stated in cold blood. Even more difficult to circumvent are the problems of the replacement of both fixed and current assets in times of fluctuating monetary values and the remedies for the loss of real capital which is inevitable in an inflationary situation; all solutions involve valuing assets at something other than their obvious present value. Double-entry is clearly based on historical cost methods and accountants are prone to suggest that this is most unfortunate, but that the old system worked perfectly until 1914 and if only we could or would



return to that golden age of monetary stability, all would be well once again. Economic history, however, will make it all too plain that this is an illusion, for this golden age never was; and currencies have fluctuated throughout recorded history. Thus, this difficulty existed at the very moment that double-entry came into existence and only failed to be apparent because our ancestors did not attach the same importance to a balance sheet as we do, and therefore did not expect their accounting system to preserve their capital.

Nevertheless, it is not too much to ask of a balance sheet that it should have some significance, and those who endeavour to interpret the figures contained therein must be struck by the lack of precision in the results they obtain, when compared with the work of an analytical chemist, or even with the diagnosis of a physician. They have perhaps become so used to this disability that many would suggest that such definitive analysis is not possible for so complex an organism as an economic trading unit, but one could not be so certain of the truth of this supposition in the light of the distinctly large-scale achievements of the physical sciences.

These matters seem to the writer to be very serious cracks in the structure of double-entry accounting and the efforts of the accountancy profession to obviate the difficulties are no different from the attempts of medieval astronomers to paste over the discrepancies between the flat-earth theory and the observations obtained by improved observatory equipment.

Goethe was of the opinion that the double-entry system was one of the outstanding achievements of the mind of man. He may be right if it is in fact a technique so perfect as to be capable of no further development; or can it be that accountancy has yet to find its Newton or even its Galileo? It is all too clear that the system is a very good one to have stood for so long; and none of the alternatives, such as the eighteenth-century 'English system' so far opposed to it, have proved workable substitutes; unfortunately, the hypothesis is so attractive and authoritative that in spite of its shortcomings there is very little real curiosity as to the likelihood of some other method of economic measurement proving more helpful.

## Loss of Exempt Private Status - II

by A BARRISTER-AT-LAW

*The first of the two articles on this subject which appeared last week, dealt with the recent case of Re Prens's Settlement; Truvox Engineering Co Ltd v. Board of Trade. In the following article the case of Qualter, Hall & Co Ltd v. Board of Trade is discussed.*

### Banking or Finance Company Providing Capital

**T**ROUBLES, it is said, never come singly, and the owners of exempt private companies may begin to suspect that there is some truth in this adage; for in *Qualter, Hall & Co Ltd v. Board of Trade* ([1961] 1 All E.R. 210) Cross, J., has recently given another decision against an exempt private company so that it, too (subject to a possible appeal), has lost its exempt status. In this case the point arose under paragraph 7 of Schedule VII which is headed 'Exception for banking or finance company providing capital'. The paragraph reads as follows:

'(1) The first of the basic conditions (that no body corporate is the holder of any of the shares or

debentures) shall be subject to an exception for any shares or debentures held by or by a nominee for a banking or finance company, where the banking or finance company acquired the shares or debentures or its interest therein in the ordinary course of its business as such and by arrangement with the relevant company or its promoters:

Provided that this exception shall not apply if the banking or finance company has the right (or, where there is more than one such company holding shares or debentures to which this exception has to be applied in determining the relevant company's right to be treated as an exempt private company, they have between them the right) to exercise or control the exercise of one-fifth or more of the total voting power at any general meeting of the relevant company.'

Paragraph 9 of the schedule then states that the expression 'banking or finance company' means

'any body corporate or partnership whose ordinary business includes the business of banking and any other body corporate whose ordinary business includes the business of lending money or of subscribing for shares or debentures . . .'

**AUTHOR'S CORRECTION:** It is regretted that a typing error resulted in a mis-statement in the second paragraph of the article published in last week's issue; the sentence 'It [an exempt private company] may employ an auditor who is a servant of the company . . . ' should read 'who is a servant or partner of an officer or servant of the company . . . '.

*Palmier's Company Law*, twentieth edition, page 43 explains the purpose of paragraph 7 of the schedule in these terms:

'The ratio of this exception is to enable the exempt private company to employ the services of a banking or finance company providing capital; such company may, for example, be paid underwriting commission by way of allotment of shares in the exempt private company (Section 53 (1) (c) (ii) of the Act of 1948); *Dominion of Canada General Trading & Investment Syndicate v. Brigstocke* ([1911] 2 K.B. 648).'

In *Qualter, Hall & Co Ltd v. Board of Trade* the company desired to provide the principal shareholders with funds to meet the estate duty prospectively payable on their deaths without jeopardizing the future of the company as a family business. The auditors of the company prepared a memorandum outlining a possible scheme for the capitalization of reserves under which further preference and ordinary shares would be issued by the company, credited as fully paid up, and sold to financial institutions by the shareholders entitled to them. A copy of this memorandum was sent to Estate Duties Investment Trust Ltd (Edith), which investigated the company's affairs in detail in order to ascertain whether the scheme was one in which it would be prepared to take part and to recommend other financial institutions to join. In the result, Edith and four other financial institutions decided to become shareholders in the company.

On July 22nd, 1955, the company passed a series of resolutions (i) increasing the capital from £115,000 to £165,000 by the creation of 25,000 6½ per cent £1 cumulative preference shares and 25,000 'A' ordinary shares of £1 each; (ii) converting the existing 85,000 non-cumulative redeemable preference shares, of which 60,000 had been issued, into 85,000 6½ per cent cumulative preference shares and amalgamating them with the 25,000 6½ per cent cumulative preference shares; (iii) converting 3,000 £10 ordinary shares into 30,000 'B' £1 ordinary shares; and (iv) capitalizing a sum of £75,000 in the general reserve account. The directors were authorized to appropriate the £75,000 to the members who should be registered immediately after the passing of the relevant resolution as holders of the 30,000 'B' ordinary shares in proportion to the amount paid up on those shares, and to apply the sum in paying up in full at par the 50,000 unissued 6½ per cent £1 cumulative preference shares and the 25,000 unissued 'A' ordinary shares of £1 each and to allot those shares to the 'B' ordinary shareholders. At the same time the

company adopted a new set of articles, article 72 of which provided that the 'A' ordinary shareholders and the preference shareholders were entitled to receive notice of general meetings but were not entitled to attend and vote at them unless, in the case of the preference shareholders, at the date of the notice the dividend on their shares was six months in arrear, and in the case of both classes of shares, the business of the meeting included certain specified resolutions.

### Purchase of Shares from Members

At a directors' meeting held on the same day, the directors resolved that the £75,000 should be capitalized, applied and allotted as resolved, and the chairman stated that as a result of arrangements made with a finance company, that company had agreed with the holders of the 'B' ordinary shares (as the persons entitled to the 50,000 preference shares and the 25,000 'A' ordinary shares) to purchase one-third of each class of shares and to place the other two-thirds of each class with four other companies which were banking or finance companies within the meaning of paragraph 9 of Schedule VII, so that the status of an exempt private company would be preserved, while the members renounced their interest in the shares. Letters of authority and request in respect of the allotment of the preference and 'A' ordinary shares were then signed by the members and received by the company, and it was resolved that the 50,000 unissued 6½ per cent £1 cumulative preference shares and the 25,000 unissued 'A' £1 ordinary shares be allotted to the banking and finance companies. The advisers of the company clearly did not expect that its status as an exempt private company would be affected by this transaction, and the company took out a summons to determine whether, on the true construction of Section 129 and Schedule VII to the Act of 1948, the company had, in the events which had happened, ceased to be an exempt private company within the meaning of Section 129 (4).

### Paragraph 7 not Clear and Unambiguous

Cross, J., said that, reading into paragraph 7 of the schedule the definition of a banking or finance company, it was open to doubt whether a purchase of shares by a finance company whose ordinary business included purchasing shares as well as subscribing for them was or was not within the paragraph. Did the words 'as such' in paragraph 7 (1) refer, in the case of a finance company, to 'the business of lending money or of subscribing for shares' (in paragraph 9) or did they

refer to the business of such a company as a whole, provided only that it included the business of lending money or of subscribing for shares? Although the title to a section in an Act of Parliament could not control the meaning of the words used in the section if they were clear and unambiguous, they could give a clue to the meaning of an ambiguous passage in the section. Paragraph 7 was not clear and unambiguous and he thought he could fairly look at the title of the paragraph for assistance in resolving the doubt.

The words 'providing capital' in the title were quite inapt to describe the payment of the purchase price of shares by a purchaser to his vendor; appearing as they did in a Companies Act, they seemed to relate simply and solely to the provision of capital for the company. Even if, which he doubted, the capitalization of reserves could properly be described as a provision of capital, the provision was made by the company for itself and not by the banking and finance companies, so that what was done in the case would not come within the scope of the title. Moreover, paragraph 7 created an exception to a general rule and should, therefore, in cases of doubt, be construed against the party who relied on it. Again, a purchase of shares in a private company could hardly be carried through in practice without the consent of the company, and that raised a question as to the degree of approval or co-operation on the part of the company which would justify one in saying that the shares had been acquired by arrangement with the company. In cases of doubt the Court might fairly incline to put on the paragraph a meaning which made it easily workable by the Registrar of Companies in preference to one which might give rise to many difficult border-line cases.

### 'Any General Meeting'

His lordship then dealt with the words 'any general meeting' at the end of the proviso to paragraph 7 (1). He said: 'Do they mean any and every general meeting or any one general meeting out of many possible general meetings?'. Section 132 (1) of the Act contained the words 'the total voting rights of all the members having . . . a right to vote at general meetings of the company . . .'. Both parties agreed that this meant all general meetings of the company. In the proviso to paragraph 7 (1), on the other hand (as in Section 195 (10) (b) (ii) of the Act), the reference was to the right to exercise some fraction of the voting power 'at any general meeting'. Counsel for the Board of Trade had argued that Parliament would not have used different words

to say the same thing, but his lordship did not think this argument carried much weight when applied to a document as long and complicated as the Companies Act, 1948. To construe 'any' as meaning 'any and every' (which was the construction he favoured) made it very easy for a company which wished to do so to evade the proviso by giving a finance company voting control on all (important) issues which were likely to arise while withholding it on some matter of no moment. But, putting the matter at its highest against the company, the word 'any' was ambiguous, and since it occurred in a proviso to an exception, the benefit of any doubt as to its meaning should be given to the company rather than to the Board of Trade. If, therefore, he had thought that the case fell within paragraph 7 (1), he would not have held that it was taken out of the paragraph by the proviso (merely because, in certain circumstances specified in Article 72, the preference shareholders and the 'A' ordinary shareholders had voting rights). As it was, he would declare that the company ceased to be an exempt private company as from July 22nd, 1955.

### Commentary

Exempt private companies came into being following recommendations of the Cohen Committee (Cmd. 6659/1945) because it was found that the privilege of balance sheet secrecy (then attaching to private companies) was abused by some public companies which withheld information from their shareholders by the simple device of carrying on business activities which they did not wish to disclose in their accounts through private companies, with the result that the shareholders in the parent company were unable to ascertain whether the subsidiaries which were private companies made a profit, and if so what that profit was. The exempt private company has proved a happy solution and in general has been a success.

The first decision, in *Re Prenn's Settlement*, will doubtless cause difficulties (as was, indeed, apprehended by the judge), while it seems nothing short of ironical that the second decision, in the *Qualter Hall* case, should concern the purchase of shares by (*inter alia*) Estate Duties Investment Trust Ltd—a company created for the express purpose of assisting medium-sized family companies in their none too easy task of meeting claims for estate duty without jeopardizing the continued existence of the company. It is therefore to be hoped that the Company Law Committee will review the decisions in all their bearings and make recommendations regarding any amending legislation which may be found necessary.

# Decimalization of the Currency

## INSTITUTE MEMORANDUM TO THE CHANCELLOR

*In response to the Government's request for expressions of view, made by the Earl of Dundee in the House of Lords on November 10th, 1960, the Council of The Institute of Chartered Accountants in England and Wales has submitted the following memorandum to the Chancellor of the Exchequer on certain matters which arise on consideration of the question of the decimalization of the currency.*

### The Principle of Decimalization

1. The advantages of possessing a decimalized currency are widely known and not seriously disputed. It has been opposed in the past on the grounds that the cost and dislocation of conversion would outweigh the consequent advantages. There is also a natural reluctance to depart from the traditional and familiar. But a point has now been reached when the eventual disadvantages of non-decimalization seem likely to exceed by far the temporary costs and inconvenience of adjustment to a new currency. The last three Commonwealth adherents to the £ s d system have now moved so far towards decimalization that it seems almost certain that by 1965 the United Kingdom will be the last significant upholder of that system unless a decision to decimalize has been taken in the meantime. It is wholly inappropriate that a country which regards itself as an international banker and major progressive commercial nation should become the sole surviving exponent of a currency system abandoned by every other commercially advanced nation. In particular, the retention of a non-decimal currency will leave the United Kingdom at an increasing disadvantage in the use, manufacture and export of financial data processing and other monetary machines during an era of rapid development in this field in Europe and throughout the world.

2. There is a widespread feeling that decimalization of the currency is inevitable eventually; the longer it is deferred the greater will be the cost and dislocation. The time has therefore come for a positive move in the direction of reform. Such a positive move could appropriately take the form of a statement by the Government that a decimal currency will be introduced at a specified date which allows a reasonable period of notice of the change. This will ensure that future deliberation will be concerned with the form in which decimal currency should be introduced rather than whether the change should take place.

### Mode of Decimalization

3. Decimalization is a major change that will profoundly affect the ordinary citizen's main means of measurement of values, the coinage. The major cost and dislocation of any change will be borne by those concerned with all kinds of monetary machines, but

the major impact will be felt by every member of the population in innumerable daily cash transactions many of them of quite small amount. For this reason it is highly desirable that any system should provide a ready association of value as between the old and the new minor units. The Council considers that the system which best preserves this association is the so-called 'ten shilling/cent' system. With a major unit of ten shillings this system retains the present value of that unit and leaves unaltered the value of all the silver coinage; and the new minor units of cent and halfcent are sufficiently close in value to the present penny and halfpenny, although there would be some transitional complication in businesses involving large numbers of small transactions where there are price scales based on rises of one penny or other small amounts, as, for example, transport companies, newspaper undertakings and postal services. Hourly wage rates would also have to be expressed in the new currency. These transitional matters should, however, be capable of settlement without undue difficulty. The major unit of ten shillings has a simple two to one relationship with the present pound, which renders conversion simple and immediate. The conversion and maintenance of records under this system would present no undue difficulties.

### Implications of the Abandonment of the Pound

4. There is a natural reluctance to depart from the traditional and familiar pound, but familiarity is not an adequate reason for retaining an outmoded system when a superior one is available. It has been suggested that the currency would lose status if the pound were abandoned. Examination of the pound's experience over the last twenty years does not suggest, however, that the international standing of the currency is to any marked extent dependent on its traditional associations. A number of designations are available for a new major unit which would fully maintain the associations and prestige of the existing currency – the 'sterling' or the 'sovereign' for instance. However, although the advantages of tradition and familiarity are unquestionably of value, the Council considers that the name is less important than the principle and expresses no preference.

### Compensation

5. The initial cost of conversion to a decimal currency will undoubtedly be heavy and will fall unevenly on different sections of the community, although all will benefit ultimately. Bearing this in mind, the Government may consider that it would be appropriate to offer compensation on a suitable scale to those affected, either by means of direct grant, along the lines proposed by the South African Government, or alternatively by increased taxation allowances, including investment allowances on purchases of new equipment (including replacement) and the allowance for taxation purposes of costs of conversion of machinery, over-printing and other expenditure consequent upon the change.

### Conclusions

6. The Council's conclusions may be summarized as follows:

- (a) decimalization of the currency should be officially adopted in principle and widely announced for introduction at a specified date, being the earliest date consistent with an adequate preparatory period;
- (b) the most appropriate basis for decimalization in this country is the 'ten shilling/cent' system with one hundred cents equal to the present ten shillings and the halfcent as the smallest unit which would be approximately equivalent to the present halfpenny.

## Weekly Notes

### Institute Council Changes

MR JOHN DENNIS RUSSELL, M.A., F.C.A., a partner in the firm of Binder, Hamlyn & Co, Chartered Accountants, of London, was elected a member of the Council of The Institute of Chartered Accountants in England and Wales at the meeting of the Council held on February 1st (reported elsewhere in this issue).



Mr J. D. Russell

Mr Russell was born in 1911 and was educated at Malvern College and University College, Oxford, where he obtained a law degree in the honour school of jurisprudence. He was called to the Bar in 1932

and in the same year joined Messrs Binder, Hamlyn & Co as an articled clerk. Admitted an Associate of the Institute in 1935, he was elected to Fellowship in 1953.

After qualifying in 1935, Mr Russell remained with Binder, Hamlyn & Co until the outbreak of the Second World War in 1939. During the war he served in the Royal Naval Volunteer Reserve, mainly at sea, but also for a time on the Naval staff. He was serving as executive officer of an escort carrier with the rank of Commander at the end of the war and on demobilization he returned to Binder, Hamlyn & Co, being admitted to partnership in 1948.

Mr Russell has been a member of the Committee of the London and District Society of Chartered

Accountants since 1953 and was chairman of the Society in 1959-60. He served as chairman of the London Regional Taxation and Research Committee from 1958-59 and took an active part in organizing the Institute's Autumn Meeting in London in 1958. He was recently appointed by the Chancellor of the Exchequer to membership of the Board of Referees.

Since 1957 Mr Russell has been a member of the Executive Committee of the Chartered Accountants' Benevolent Association. He is also a member of the Committee of Management and of the Finance Committee of the Royal National Lifeboat Institution.

The resignations from the Council of Mr P. V. Roberts, F.C.A., and Mr P. D. Irons, B.COM., F.C.A., have been announced. Mr Roberts, who is a director of The Imperial Tobacco Co Ltd, was elected to membership of the Council in 1953, and has served on the Applications Committee, the Parliamentary and Law Committee, the Finance Committee (being chairman since 1958) and the Non-Practising Members Consultative Committee.

Mr Irons, who is financial director of The de Havilland Aircraft Co Ltd, has been a member of the Council since 1956. He has served on the District Societies Committee, the Finance Committee and the Non-Practising Members Consultative Committee.

### Examination Results

THERE were 3,970 candidates for the November 1960 examinations of The Institute of Chartered Accountants in England and Wales. Of 1,604 candidates for the Final examination, 797 (49.7 per cent) passed and 807 failed; in the May 1960 examination 642 (46.3 per cent) passed and 746 failed. The First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize and the Plender Prize for the papers on Taxation and English Law (Parts I and II) were won by Miss Mary Anora Yale, of Llandudno. Miss Yale won Second Place in the November 1957 Intermediate examination and is the second woman candidate to achieve the distinction of First Place in the Final. (This honour was first secured by Miss M.

K. James in 1945). Mr Roger William Davies, of Newport, Mon, won the Second Certificate of Merit and the Walter Knox Scholarship, and the Third Certificate of Merit was won by Mr Patrick William Lacey, of Reading.

In the Intermediate examination, there were 2,148 candidates, of whom 1,051 (48.9 per cent) passed and 1,097 failed; in the May 1960 examination 872 (42.3 per cent) passed and 1,164 failed. The First Certificate of Merit, the Institute Prize, the Stephens Prize, the Frederick Whinney Prize and the Plender Prize for the paper on Book-keeping and Accounts (Partnership) were won by Mr Roger Vivyan James Chadder, of London. The Second Certificate of Merit and the Tom Walton Prize were won by Mr John Alistair Clemence, of London, and the Third Certificate of Merit by Mr David Edward Alban Morris, also of London.

In the Preliminary examination, 218 candidates sat, of whom 81 (37.2 per cent) were successful and 137 failed; in the May 1960 examination, 65 (25 per cent) passed and 195 failed.

A full list of successful candidates, together with a summary of results, appears elsewhere in this issue.

### The Society's Examinations

THE three Chartered Institutes, in accordance with the schemes of integration with The Society of Incorporated Accountants (in voluntary liquidation), conducted the Final examination of the Society in November 1960. There were 93 successful candidates eligible for membership of the English Institute; two successful candidates eligible for membership of the Scottish Institute and 12 successful candidates eligible for membership of the Irish Institute.

A list of successful candidates, together with a summary of the results, appears elsewhere in this issue.

### The P. D. Leake Trust Report

WIDER powers of investment have been given to The Institute of Chartered Accountants in England and Wales as trustee of the P. D. Leake Trust under a scheme proved by the High Court of Justice on May 17th, 1960. From that date the capital fund has been divided into a restricted fund comprising trustee investments and representing at least one-third of the total fund and an extended fund containing the balance of the capital fund with a much wider investment range as defined in the Court Order. The accumulated income fund has been similarly divided.

The accounts of the Trust for the year ended October 31st, 1960, now available, reflect these changes and the balances of capital on the restricted fund and the extended fund at that date, after revaluing the investments at the date of the division, are £72,070 and £143,940. The corresponding balances in the accumulated income fund, called for identification 'A' and 'B', are £19,639 and £41,917. The book value of the total funds of the Trust at

October 31st, 1960, are, therefore, £277,566 as compared with £171,842 at October 31st, 1959. The accretion to capital is made up of the increase in the valuation of investments of £100,070 and the transfer of unexpended income for the year of £7,061, less loss on sale of investments of £1,240 and legal expenses of £167.

The total income of the Trust for the year, after charging irrecoverable income tax, was £12,452. Administrative expenditure came to £799 and the only other deductions were professorship and fellowship grants totalling £4,592.

### Two Summer Courses This Year

AS announced in the report of the proceedings of the Council of the Institute elsewhere in this issue, two summer courses are to be held this year, one at Oxford and one at Cambridge. The Oxford course will be held at Christ Church only (from July 13th to 18th) as it was not possible to arrange additional accommodation at an adjoining college, and the Cambridge course will be held at Gonville and Caius College from September 13th to 17th. This is the first time that an Institute course has been arranged at Cambridge and its success would seem assured, especially as previous summer courses have invariably been over-subscribed. An innovation, too, is that the new course will close on the Sunday and not extend into a second week as is the case at Christ Church. It is to be hoped that this timing will be of particular benefit to members in industry and commerce.

The addresses to be given at Christ Church are as follows:

- 'Services to the private company and its members', by Mr A. B. Snow, F.C.A. (Snow, Wood & Co).
- 'Surtax and companies', by Mr J. S. Heaton, F.C.A. (Bottomley & Smith).
- 'The problems of a group upon the acquisition of companies', by Mr R. O. A. Keel, F.C.A. (secretary, Thomas Tilling Ltd).

An informal talk on a subject of his own choosing will be given on Sunday morning by Sir Theobald Mathew, K.B.E., M.C., Director of Public Prosecutions. Mr J. L. Carey, Executive Director of the American Institute of Certified Public Accountants, will attend the course and take part in a discussion on Sunday evening with Mr Alan S. MacIver, C.B.E., M.C., B.A., Secretary of the Institute.

At Cambridge the following papers will be presented:

- 'The employment of capital', by Mr J. C. Walker, F.C.A. (chief accountant, Unilever Ltd).
- 'Some considerations in relation to the accounting treatment of stock-in-trade and work in progress', by Mr H. W. Sydenham, F.C.A. (Sydenham, Snowden, Nicholson & Co, and chairman of Duple Motor Bodies Ltd).
- 'What the business man expects of the practising professional accountant', by Sir Donald Perrott, K.B.E. (lately member for finance and administration, United Kingdom Atomic Energy Authority; now a director of a number of companies).

In addition to group discussions on the papers, the free exchange of views and experiences on topics of general professional interest are essential features of summer courses and the programme also provides for recreation and social activities.

A maximum of 180 members can be admitted to the Oxford course and 160 to the Cambridge course. Application forms will shortly be circulated to members and the closing date for their return is April 15th, after which vacancies will be allocated in what the Summer Course Committee considers to be the fairest manner. The fee for either course, payable to the Institute, is £11 per member; this includes accommodation and meals in College.

### £25,000 Fine for False Tax Returns

**C**OUNSEL for a taxpayer accused at the Central Criminal Court of making false income tax returns said that the trouble started when his client became piqued because the Revenue disallowed a claim for bank charges to which he was really entitled. He was also charged interest on unpaid surtax when the reason for non-payment was ill health. In a quite improper way the taxpayer, Julius Neville Davis, 51, retired stockbroker of 'The Chilterns', Stoke Mandeville, Bucks, decided to get back what was due to him by understating his own and his wife's income.

Davis pleaded guilty to six charges of making false returns over six years. It was said that he evaded about £7,500 tax by understatements to the extent of £14,960, but that all tax had since been paid. The prosecution conceded that between £2,000 and £3,000 might have been undisclosed through muddle. Defence counsel said the amount undisclosed was only a small fraction of the total income. The Common Sergeant imposed a fine of £25,000 to be paid within two months, with an alternative of twelve months' imprisonment.

### Restrictive Trade Practices

**A**NYONE with a shilling to spend and a day to spare can devote both to a study of the register of restrictive trading agreements which is kept at Chancery House, Chancery Lane, London, WC2. There are duplicates in Edinburgh and Belfast. Much has happened since the passing of the Restrictive Trade Practices Act, 1956, and the story up to the end of 1959 is admirably told in the Registrar's report which has just been published as a White Paper<sup>1</sup>. By the end of 1959 the public section of the register contained particulars of 2,240 agreements, either still in operation or terminated. The majority are agreements between manufacturers, who are parties to nearly 1,800. Wholesalers are parties to about 350, but their agreements between themselves often deal with a variety of goods. Retailers are parties to some 400 agreements. About two-thirds of the agreements are concerned with selling prices, and there are fewer than 200 agreements to which consumers are parties. By

the end of 1959, 680 agreements had ceased to operate as restrictive trading agreements.

The report outlines the practice in proceedings taken before the Restrictive Practices Court. In considering whether to take proceedings the Registrar includes among his advisers economists and accountants. He says in the report that he has been fortunate in obtaining the services of eminent members of both these professions. Also contained in the report are notes on contested cases, and an outline of the staffing of the Registrar's department.

### Institute Staff Appointment

**A**S announced in the proceedings of the Council of The Institute of Chartered Accountants in England and Wales reported on other pages in this issue, Mr Philip Carrel, C.M.G., O.B.E., B.A., has been appointed an Under-Secretary of the Institute.

Mr Carrel was previously in the Colonial Service, being Chief Secretary to the Government of the former Somaliland Protectorate.



### Education for Management Council

**T**HE new United Kingdom Advisory Council on Education for Management had its first meeting on Monday. The chairman is Mr J. W. Platt, director of the Shell Transport and Trading Company. The thirty-one members include Mr W. W. Fea, F.C.A., who has been nominated by The Institute of Chartered Accountants in England and Wales, and Mr A. P. Rivers, F.C.A., F.C.I.S., representing The Chartered Institute of Secretaries. Another member is Mr H. C. Edey, B.COM., F.C.A., Reader in Accounting at the London School of Economics.

### Incentives to Invest

**T**HE pamphlet *Growth in a Responsible Society*, issued by the Wider Share Ownership Committee, of which Mr Maurice Macmillan, M.P., is chairman, provides additional background to the plea by Mr Macmillan in the House of Commons debate on Monday last for an examination by the Government of the whole question of tax relief and tax incentive to exporters. The Committee believes that failure to expand exports and balance of payment difficulties are due to the failure of this country to match the rate at which other main industrial countries have been increasing both their capacity to produce and their actual output of goods and services.

The Committee feels that growth in the British economy could be stimulated by measures to en-

<sup>1</sup> Cmnd. 1273. H.M.S.O. 1s 9d net.



courage wider share ownership through the greater sense of participation which would come when an increasing number of private individuals hold a stake in some of the enterprises around them. Specific recommendations include abolition of stamp duty on share transfers; making small dividend cheques tax free; cheapening the transfer of securities; encouragement of company thrift plans under which employees agree to deductions of, say, 3 per cent to 5 per cent of their pay for investment in Savings Certificates, Government bonds or Unit Trust shares; expansion in the National Savings movement and encouragement of public thrift plans for those not benefiting from company thrift plans.

## *This is My Life . . .*

by An Industrious Accountant

### CHAPTER 63

OUR company has an old-fashioned capital structure, comprising ordinary and preference shares and a small issue of debentures; a proportion of these latter are redeemable annually. We hope to reorganize the whole set-up later this year, when our bonus issue gets under way; in the meantime, I want to transform the shares into fully-paid stock, as a vast amount of time is wasted recording distinctive numbers at all levels of transfers and records. Anonymous stock units are far preferable.

So we need a registrar to take over the section and an able man should have prospects as assistant-secretary later. The personnel director and I got together to draft the advertisement and it proved an unexpectedly laborious task.

Not that Prinny wasn't co-operative. He was really anxious to be helpful but somehow he had old-fashioned ideas. His trouble is that he has no head for figures, and no taste for the buying or selling side of our organization, but he's popular and has an easy way with the staff when he knows them. It's just that his instinctive reaction to unknown people is to try to out-manoeuvre them.

So he produced a capacious file of draft advertisements as used in the past, and recommended one headed:

#### ACCOUNTANT

Large industrial concern requires qualified accountant with some industrial experience. Good commencing salary and excellent prospects for energetic man prepared to work hard. Send full details, including salary required, to . . . etc.

Well, we fought a battle over almost every word of that abomination. Firstly, I wanted to show our own name, as it's a good one in the locality and should

### Inspector to Examine Building Society's Affairs

THE Chief Registrar of Friendly Societies has announced that with Treasury consent he has appointed an inspector to examine the affairs of the Lloyds Permanent Building Society, a society incorporated in 1954. It was in April 1960 that the Registrar made an order forbidding the society to advertise for funds. The society resisted this order but was unsuccessful in both the High Court and the Court of Appeal. When the Building Societies Act, 1960, came into force the Registrar made a further order forbidding the society to accept any new deposits, or to borrow without his express approval.

attract a good response. Prinny was against showing our hand too soon, as he phrased it; we could always advertise again, giving our name with a flourish, if we drew blank the first time. It took some time to persuade him of the wastefulness and delay of such a procedure. Still, he yielded eventually; though it was rather a shock to his hide-bound outlook to be asked to have our own staff fully advised of our intentions and the younger men encouraged to apply.

It was easier to persuade him to be more descriptive by commencing 'Assistant Accountant' and going on with the age group '25 to 32 years old preferred', but we stuck fast on the question of naming a salary. I wanted to say something about a minimum salary of £850 per annum; but Prinny was adamant.

'You know, you're way off the beam, old chap,' he said seriously. 'Stands to reason, you mention a minimum £850, you'll not get away under £1,000, what? Why pay more than you must? My way, you'll get some good chap for £800.' These supermen who've risen high in the managerial salary brackets, I notice, are always keen to prune the struggling remuneration of the accountants. His ruddy cheeks were flushed as he lectured me on economy; I got hot trying to explain that if you pay £x plus £100 to a man worth £x, he'll have an incentive to make himself worth £x plus £300. Prinny just lit another cigar thoughtfully and said I sounded like an idealist.

We finally compromised on that well-worn phrase - 'Salary according to age and experience', a nebulous cliché which really means nothing except that the prospective employer would prefer a cheap youngster to a more expensive senior. I still maintained, however, that you must indicate a definite figure to attract merit.

But Prinny had the last word. With a smug smile, he tossed over the daily paper, with two big advertisements blue-pencilled. They were both inserted by well-known and reputable firms of auditors, on behalf of unspecified clients, seeking accountants in the very terms I had just castigated. 'You chaps should practise what you preach, what?' he speculated innocently. 'After all, us poor business men expect accountants to give us a lead in these matters.'

# Finance and Commerce

## From this Column

THE minutes of evidence taken before the Company Law Committee to which reference is frequently made in this journal, often make interesting and rewarding reading.

Some of it might almost have come straight out of this column. In the record of the hearing on November 4th, recently published, there is an account of a discussion on whether holding companies should give a list of subsidiaries, or at least the main subsidiaries, with the nature of their business. Mr P. W. Freeman, appearing as a witness on behalf of the Society of Investment Analysts, maintained that naming subsidiaries was less important than describing their activities.

The Committee was told of the company chairman who said 'The demand for our products has been well maintained' but never stated what the products were. Mr Freeman quoted the particular case of a company 'which was always described as doing one thing, but after a very sharp setback in profits in 1958, which caused a decline in the value of the stock, the chairman explained that the fall was due to the importance to the company of a certain activity which until then had never been heard of'. That was the kind of situation they wished to avoid, said Mr Freeman.

## Examples

From recent instances of company reports which are reticent on the subject of the company's business, one could offer the Committee that of Jenkin & Purser (Holdings) Ltd which is stated to hold the capital of Jenkin & Purser Ltd. Some indication of the nature of the business begins to emerge as the balance sheet shows a stock of vehicles and spares and accessories. Clues are added by references in the chairman's statement to the effect of credit controls and to machines remaining as security until fully paid for. Not, however, until the very back page is reached to find the subsidiary's name repeated with 'Motor cycles exclusively' beneath, does real enlightenment come.

A good example of how things might be arranged, on the other hand, is the Cranleigh Group Ltd whose report provides information in the structure of the group on the lines of a genealogical tree. This, reading from the 'Cranleigh Group' heading at the top passes down to the various divisions: insurance, hire-purchase, retail distribution, finance, property investment and steel. From each division heading,

the lines branch out to the companies, and in turn to their subsidiaries, showing the identity of each.

Then, after the group report, accounts and statement, the annual publication passes on to review each division including a 'memorandum' consolidated balance sheet and revenue accounts for each division.

## Bank Reserves

QUITE a lot of the discussion between the Company Law Committee and witnesses was on the exemptions permitted to banks in the matter of hidden reserves. The Accepting Houses Committee and the Issuing Houses Association indicated through their representatives that they were in favour of preserving the *status quo*. They supported the view that for the maintenance of public confidence in the stability of the banking system, it is as well that the banks should build inner reserves, thus enabling the impact of shocks and stresses, quite possibly of passing influence, to be concealed.

The Investment Analysts who, by the nature of their profession, want to get as much information out of company accounts as possible, see no reason for treating a banking company differently from any other company. They maintained that although these accounting exemptions are usually justified on the grounds of 'national interest', that interest was probably best served by showing the real strength of financial institutions. If weakness developed, it was more likely to be corrected promptly if the accounts had to disclose it. The point was added that 'banks in the U.S.A. are obliged to publish operating accounts'.

## American Example

It seems opportune therefore to give, this week, a reprint of an American bank's accounts and one

### THE FIRST NATIONAL BANK OF CHICAGO

#### COMPARATIVE SUMMARY

For the Year	1960	1959
Net Operating Earnings after Taxes	\$ 36,486,000	\$ 31,904,000
Net Earnings after Taxes and Reserves	31,676,000	24,347,000
Cash Dividends Declared	10,000,000	10,000,000
At the Year End		
Total Assets	\$3,135,656,000	\$3,038,669,000
Loans and Discounts	1,725,748,000	1,586,180,000
Total Deposits	2,776,261,000	2,707,635,000
Savings Deposits	578,272,000	535,752,000
Capital Stock, Surplus and Undivided Profits	302,981,000	276,305,000

## THE FIRST NATIONAL BANK OF CHICAGO

## Statement of Condition

December 31, 1960

## ASSETS

Cash and Due from Banks . . . . .	\$ 671,026,559.79
United States Government Obligations . . . . .	540,135,113.72
Other Bonds and Securities . . . . .	167,866,911.06
Loans and Discounts . . . . .	1,725,748,095.96
Real Estate (Bank Buildings and Adjacent Property) . . . . .	3,802,700.84
Federal Reserve Bank Stock . . . . .	8,100,000.00
Customers' Liability Account of Acceptances . . . . .	3,246,390.49
Interest Earned, not Collected . . . . .	9,188,428.34
Other Assets . . . . .	6,542,239.95

\$3,135,656,440.15

## LIABILITIES

Capital Stock . . . . .	\$ 125,000,000.00
Surplus . . . . .	145,000,000.00
Undivided Profits . . . . .	32,981,682.30
Discount Collected, but not Earned . . . . .	6,153,962.22
Dividends Declared, but Unpaid . . . . .	2,500,000.00
Reserves for Taxes, etc. . . . .	38,342,875.64
Liability Account of Acceptances . . . . .	3,409,465.64
Time Deposits . . . . .	\$ 632,549,765.21
Demand Deposits . . . . .	1,857,448,610.25
Deposits of Public Funds . . . . .	286,263,321.78
Liabilities other than those above stated . . . . .	6,006,757.11

\$3,135,656,440.15

United States government obligations and other securities carried at \$352,378,169.78 are pledged to secure United States government and other public deposits, trust deposits, and for other purposes as required or permitted by law.

OPERATING EARNINGS  
AND EXPENSES

Operating earnings and expenses increased during the year as outlined in the following statement:

## Statement of Operating Earnings and Expenses

	1960	1959
Operating Earnings:		
Interest on Loans.....	\$ 83,936,000	\$ 68,001,000
Interest and Dividends on Securities	22,038,000	24,365,000
Other Income .....	15,765,000	13,803,000
	<u>\$121,739,000</u>	<u>\$106,169,000</u>
Operating Expenses:		
Interest Paid.....	\$ 18,789,000	\$ 14,309,000
Salaries, Pension Fund, Profit Sharing, etc.....	22,383,000	20,722,000
Provision for Taxes and Assessments:		
Local Taxes.....	1,200,000	1,300,000
Social Security Taxes.....	483,000	382,000
Federal Deposit Insurance.....	830,000	833,000
Other Operating Expenses.....	9,204,000	8,617,000
	<u>\$52,889,000</u>	<u>\$ 46,163,000</u>
Net Operating Earnings (before income taxes).....	\$ 68,850,000	\$ 60,006,000
Less: Federal Income Taxes.....	32,364,000	28,102,000
Net Operating Earnings.....	<u>\$ 36,486,000</u>	<u>\$ 31,904,000</u>
Per Share (based on 6,250,000 shares)	<u>\$5.83</u>	<u>\$5.10</u>

SUMMARY OF CHANGES  
IN CAPITAL ACCOUNTS

	1960	1959
Net Operating Earnings (after taxes)	\$ 36,486,000	\$ 31,904,000
Net Profit (Loss) from Sales of Securities, etc. (after tax adjustment)....	(1,539,000)	(2,694,000)
	<u>\$ 34,947,000</u>	<u>\$ 29,210,000</u>
Less:		
Addition to Reserve for Bad Debts (after tax adjustment).....	\$ 2,992,000	\$ 774,000
Transfer to Reserves, etc.....	279,000	4,089,000
	<u>\$ 3,271,000</u>	<u>\$ 4,863,000</u>
Net Earnings after Taxes and Reserves	\$ 31,676,000	\$ 24,347,000
Transfer from Reserves.....	5,000,000	0
	<u>\$ 36,676,000</u>	<u>\$ 24,347,000</u>
Less: Cash Dividends Declared....	10,000,000	10,000,000
Net Increase.....	\$ 26,676,000	\$ 14,347,000
Capital Funds—January 1.....	276,305,000	261,958,000
Capital Funds—December 31.....	<u>\$302,981,000</u>	<u>\$276,305,000</u>

The changes in capital accounts consisted of the addition of the net earnings, after taxes and reserves, of \$31,676,000 and a transfer from reserves of \$5,000,000; the declaration of cash dividends of \$10,000,000; and the transfer of \$10,000,000 from Undivided Profits to Surplus.

	1960	1959
Capital Accounts		
Capital Stock.....	\$125,000,000	\$125,000,000
Surplus.....	145,000,000	135,000,000
Undivided Profits.....	32,981,000	16,305,000
Capital Funds—December 31.....	<u>\$302,981,000</u>	<u>\$276,305,000</u>

whose accounts are timely to hand is The First National Bank of Chicago. Some of the information provided in the bank's report is in graphical form—such as the eleven-year summary of loans and discounts—and does not readily lend itself for immediate reproduction but most of the separate financial statements are included in the reprint.

Referring to the Statement of Operating Earnings and Expenses, the report points out that expenses were up 14.5 per cent, thus partly offsetting the gain in earnings. The increase in operating expenses reflected largely the rise in savings interest expense compared with 1959. In 1959, 2 per cent was paid on savings deposits in the first half of the year and 3 per cent in the second half; whereas in 1960, 3 per cent was paid throughout the year and on a greater volume of savings deposits. The report then briefly sets out the net operating results.

'As in previous years', the statement continues, 'all known losses as well as all items classified as doubtful by either the Federal or Clearing House bank examiners, or that were so regarded by the bank's officers have been charged off. Following our customary practice, the recoveries on charged-off

items during the past year have not been taken into the income account, but have been used, together with other additions taken from current earnings, to build up the bank's reserves against possible future losses'.

## Westland

THE finances of the helicopter industry are written large in the 1959-60 accounts of Westland Aircraft Ltd. The company is virtually the British helicopter industry following last year's reorganization of the aircraft industry as a whole. To the purist who tries to read into the accounts the prospect and potential of a company, the Westland accounts, for all their detail, must mean little.

The accounts naturally comply with the Act in the fullest degree, but when the prospect of a company depends upon which big helicopter development to pursue and which to abandon—which way the Government hat is going to drop—the accounts themselves are little more than a colon in a much more elaborate context of development punctuation. End year capital commitments, for example, are shown as £125,520, but what are the group's commitments in overall helicopter development?

## CITY NOTES

THE London market continues to be buoyed up by take-over talk and by the relatively bullish air flowing from New York. The strength of the London market since the turn of the year, however, has put equity prices at a point where most London brokers are advocating a policy of investment caution.

It has to be admitted that brokers were advising such a policy at the end of December since when the *Financial Times* industrial share index has risen 7½ per cent and shares outside the index have risen substantially more. Those investors who went completely against the New Year advice of their brokers have done well.

While the equity market has advanced, the long and undated end of the gilt-edged market has sunk still further. With the Government brokers increasingly unwilling to take long and undated stocks off the market, prices have fallen heavily with War Loan fetching little more than 57.

The position of War Loan poses problems to thousands of investors up and down the country but opinion is that despite the current price, War Loan should still be sold. The new Trustee Act is likely to bring in substantial further sales of the stock and there have already been sales in anticipation of trustee powers to invest in equities, where lies the only real prospect of regaining lost capital in a reasonable period of time. Meanwhile War Loan is 'talked' several points lower than the existing level. Only a 7 per cent return on the stock, it is held in some quarters, will arrest the fall.

## RATES AND PRICES

Closing prices, Wednesday, February 8th, 1961

Tax Reserve Certificates: interest rate (26.11.60) 3%

### Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

### Treasury Bills

Dec. 2	£4 12s 5.55d%	Jan. 6	£4 6s 10.38d%
Dec. 9	£4 9s 7.83d%	Jan. 13	£4 6s 1.51d%
Dec. 16	£4 7s 6.04d%	Jan. 20	£4 3s 8.22d%
Dec. 23	£4 7s 1.45d%	Jan. 27	£4 3s 3.70d%
Dec. 30	£4 6s 11.78d%	Feb. 3	£4 3s 4.46d%

### Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4½-4½%	2 months	4½-4½%
Fine Trade Bills		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

### Foreign Exchanges

New York	2.80 ½-½	Frankfurt	11.69 ½-½
Montreal	2.77 ½-½	Milan	174 1 ½-2 ½
Amsterdam	10.59 ½-60	Oslo	20.01 ½-02 ½
Brussels	139.92 ½-½	Paris	13.73 ½-½
Copenhagen	19.35 ½-½	Zürich	12.08 ½-½

### Gilt-edged (revised List)

Consols 4%	63 ½	Funding 3% 59-69	82.
Consols 2½%	42 ½	Savings 3% 60-70	77 ½xd
Conversion 5½% 1974	93 ½	Savings 3% 65-75	70 ½xd
Conversion 5% 1971	91	Savings 2½% 64-67	84 ½
Cov'sion 3½% 1969	83 ½xd	Treas. 5½% 2008-12	90 ½xd
Conversion 3½%	57 ½	Treasury 5% 86-89	86 ½
Exchequer 5½% 1966	99 ½	Treasury 3½% 77-80	71 ½
Funding 5½% 82-84	94 ½	Treasury 3½% 79-81	70 ½xd
Funding 4% 60-90	88 ½	Treasury 2½%	42
Funding 3½% 99-04	62 ½	Victory 4%	95 ½
Funding 3% 66-68	82 ½	War Loan 3½%	57 ½

# Correspondence

*The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Overseas Students

SIR, — This letter is of particular interest to those members of the Institute who communicate with overseas students offering articles of clerkship.

Since 1958 we have been on the list of the Manchester Society of the chartered accountants requiring articulated clerks. Many prospective articulated clerks were put in touch with us, most of whom were regarded by us as being unsuitable because of lack of educational attainments. In August of last year we had an application, through the District Society, from a Pakistani B.Comm., on notepaper of his family merchandising business, listing his academic qualifications etc. We obtained references and made searching inquiries from customers of this firm in the United Kingdom and were satisfied that the application was bona fide and that the firm in question was held in high esteem.

The applicant informed us that he would require a temporary 'letter of appointment' from a firm of chartered accountants in England in order to obtain a 'No Objection Certificate' from the Ministry of Education in Pakistan so that he could come to this country. Between August 31st and December 2nd, ten letters passed between us — the last one from London saying that he would not be able to come for the final interview. This means that the Manchester District Society, the customers in Manchester of the Karachi firm, and ourselves, have been used merely as instruments to enable this embryo chartered accountant to enter this country.

In view of the above we hope that other chartered accountants who are prepared to assist overseas students may benefit from our experience.

Yours faithfully,

Sale, Cheshire.

HAROLD JONES & CO.

## Specialism in the Profession

SIR, — Recent correspondence on this important subject suggests that there is still uncertainty about a definition of management accounting and about who are competent to practise it.

Mr Mitchell (January 28th issue) appears to assume that the management accountant is a business manager, whereas he is one who provides a management accounting service to those managing a business. The management accounting service is the provision of monetary and statistical presentations of the present and more particularly the future economics of the business, and their interpretation to aid management in its appraisal function.

My Institute seems to view the obtaining of associate status as an essential grounding in the economics of the business, but as a stepping-stone to

fellowship, with its greater emphasis on business activity as a whole — perhaps closing the gap between accounting and economics.

As to competence to practise the art, if I am correct in emphasizing the importance of the study of the economics of the business, training in industrial accounting might be thought to be essential. The ultimate development of the management accounting function — i.e. financial control at director level does, of course, call for managerial qualities not easily assessed by examination.

I think that some of your correspondents are mentally partitioning financial and cost accounting and losing sight of what, so far as the business is concerned, is the logical extension of both, and I also think that there has been a feeling that the ability to sit the fellowship examination of my Institute is more complicated than it really is (the conditions of entry having recently been revised). This belief would be unfortunate if it prevented otherwise willing accountants from starting a most useful course of study of exceptional interest.

Yours faithfully,

Denham, Bucks.

A. J. PERERA, A.C.W.A.

SIR, — Mr R. S. Waldron suggests in his letter in your issue of January 21st that The Institute of Chartered Accountants in England and Wales should enable members to give evidence of their specialization in management accountancy by holding an examination coupled with their experience of this type of work during their articles and experience gained after qualification in advising their clients on this subject.

May I suggest that the experience gained in either way would be totally inadequate. I feel sure that those with management accounting experience in industry will agree that a three-year period of full-time experience is none too long a requirement if one is to claim to be a specialist and presumably an expert in these matters. Many of us would be very diffident about making such a claim on the basis of a much longer experience.

Mr Waldron will, I am certain, agree that any post-graduate qualification offered as evidence of specialization must be hard-earned to be of any value. Part of the earning would in my opinion have to take the form of at least a three-year excursion into industry on this type of work. It would take at least that period to become mentally conditioned to the entirely different approach required to deal with management accounting in industry as opposed to accountancy in the professional practice.

As a measure of consolation I would remind Mr Waldron that if he remains in the profession ample scope for specialization must remain open to him. After all if many of us who have spent some years in industry felt a desire to specialize in taxation I think we should have to return to the profession for at least a three-year period before we could honestly claim to be specialists in that particular field.

Yours faithfully,

Cleethorpes.

H. WEBSTER, A.C.A., A.C.W.A.

**The Small Practitioner and Registration**  
SIR, — Mr A. J. Anderson's letter published in *The Accountant* of February 4th adds to the intermittent expression of opinion by correspondents in favour of registration. You have been good enough to publish two previous letters of mine on this subject, and there was some response in the shape of letters sent to me privately by members, but on the whole, the pressure of opinion revealed in your columns is I think disappointing. There is a strong chance, however, that this may not be due to indifference, but to lack of time.

The holding of a referendum seems the obvious step to be taken, and it is of vital importance that the referendum shall be so drafted as to ascertain without

fail whether or not most members wish for an unremitting effort to obtain registration of the profession.

In principle, I am not in favour of attempts to bypass the Council of the Institute, as it is obvious that in other directions we are better served by them than we have ever been, but if the Council will not undertake the referendum already suggested, then I am prepared to support and assist any responsible member or members who will undertake to organize the matter. This should settle the point as to whether the time is yet ripe for the achievement of registration, which in my opinion is inevitable in the end.

Yours faithfully,

Burton-on-Trent. THOMAS BOURNE, F.C.A.

## NATIONAL INSURANCE ACT, 1959

### Memoranda issued by the Registrar of Non-participating Employments

*The following memoranda have been issued for the guidance of professional advisers to employers in regard to 'contracting out' of the State graduated pension scheme. The memoranda are not to be treated as complete and authoritative statements of the law on any point, or as binding the Registrar in giving decisions in particular cases.*

#### MEMORANDUM NPE.6

##### Contracting Out: Employees in the Isle of Man

1. The National Insurance (Isle of Man) Act, 1961, makes provision for graduated contributions and for contracting out along the lines made by the National Insurance Act, 1959, in relation to Great Britain. Briefly, the effect of the reciprocal arrangements between the two countries is that a contracting out certificate issued to an employer under the Act of one country will also apply to employees of that employer in the other country who are in the relevant employments and within the relevant description of persons, unless the certificate contains an express territorial limitation. It will not contain such a limitation unless the employer specially asks for it in his election.

2. Any employer who has employees in both Great Britain and the Isle of Man should in the first place apply to the Registrar of Non-participating Employments at 17 Monck Street, London, SW1, in connection with contracting out. Employers with employees in the Isle of Man and no employees in Great Britain should in the first place apply to the Isle of Man authorities at the Board of Social Services Head Office, Hill Street, Douglas, Isle of Man.

#### MEMORANDUM NPE.7

##### Contracting Out: Application to Employees Outside United Kingdom and Isle of Man

1. A certificate issued by the Registrar of Non-participating Employments, where the employer has not expressly asked for a territorial limitation in the description of the employment or of the employees, applies to all employees in the employments within the description of persons mentioned in the certificate

who are in Class 1 for National Insurance purposes wherever they may be, regardless of how the P.A.Y.E. provisions apply to them. Thus it would, in the absence of any special limitation, apply to employees who were overseas but for whom the employer is paying Class 1 flat-rate contributions under the special provisions applicable to employees during their first twelve months of employment abroad, and the flat-rate contributions for such persons would be payable at the contracted out rate.

2. Since graduated contributions are not payable where income tax is not deductible under P.A.Y.E. arrangements the position can arise that if such a person is not contracted out but is still in Class 1 employment flat-rate contributions are payable in respect of him at the ordinary rate despite the fact that there is no liability for graduated contributions, whereas, if he is contracted out, flat-rate contributions are payable in respect of him at the contracted out rate.

3. Any employer applying for a contracting out certificate who wishes it to contain a territorial limitation should make a specific request for this, in the absence of which the certificate will not exclude employment of the description in the certificate merely because it takes place abroad. However, if such a limitation is included the employer will become liable to the Ministry of Pensions and National Insurance for preservation of pension rights in respect of any employee who ceases to be covered by a certificate by reason of going to a country outside the area in which employment is covered by the certificate.

4. Special conditions apply to mariners and airmen and any employer proposing to contract out an employment which includes mariners and airmen should point this out to the Registrar.

5. Memorandum NPE.4 issued in May 1960 dealt with the position of employees in N. Ireland.

# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

## SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, February 1st, 1961, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr S. J. Pears, President, in the chair; Mr P. F. Granger, Vice-President; Messrs J. Ainsworth, C.B.E., T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, G. T. E. Chamberlain, D. A. Clarke, C. Croxton-Smith, W. G. Densem, S. Dixon, Sir Harold Gillett, Bt., M.C., Messrs J. Godfrey, G. G. G. Goult, L. C. Hawkins, J. S. Heaton, D. V. House, J. A. Jackson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., F. E. Price, P. V. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs K. G. Shuttleworth, D. Steele, C. M. Strachan, O.B.E., J. E. Talbot, A. H. Walton, V. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright.

### Election to the Council

Mr John Dennis Russell, M.A., F.C.A., London, was elected a member of the Council to fill the vacancy caused by the resignation of Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A.

### Resignations from the Council

The Council received with much regret the resignations of Mr P. V. Roberts, F.C.A., London, and of Mr P. D. Irons, B.COM., F.C.A., Hatfield, of their membership of the Council. Mr Roberts had been a member of the Council since 1953 and Chairman of the Finance Committee since 1958. Mr Irons had been a member of the Council since 1956.

### Consultative Committee of Members in Commerce and Industry

Sir Julian Pode, F.C.A., has resigned his membership of the Consultative Committee of Members in Commerce and Industry. Mr A. H. Proud, F.C.A., has been appointed to membership of the committee on the nomination of the Taxation and Research Committee.

### Institute Staff

Mr Philip Carrel, C.M.G., O.B.E., B.A., has been appointed an Under-Secretary as from January 2nd, 1961.

### Trustee Investments Bill

The Council has submitted a memorandum to the Chancellor of the Exchequer on certain aspects of the Trustee Investments Bill.

### Decimalization of the Currency

On the report of the Parliamentary and Law Committee, following consideration of a memorandum submitted by the Taxation and Research Committee, the Council approved a memorandum on decimalization of the currency for submission to the Chancellor of the Exchequer<sup>1</sup>.

<sup>1</sup> The memorandum is reproduced elsewhere in this issue—Editor.

### Company Law Committee

The Council approved a supplementary memorandum of evidence for submission to the Jenkins Committee on Company Law. Any member wishing to obtain a copy of the memorandum may do so without charge on application to the offices of the Institute.

### Summer Courses

**Christ Church, Oxford, July 13th to 18th, 1961,  
and Gonville and Caius College, Cambridge,  
September 13th to 17th, 1961**

The Council authorized the distribution to all members of the Institute of a notice giving preliminary details of the summer courses to be held at Christ Church, Oxford, from July 13th to 18th, 1961, and Gonville and Caius College, Cambridge, from September 13th to 17th, 1961. The notice will be accompanied by an application form.

The subjects and speakers at the Oxford course will be:

'Services to the private company and its members', by Mr A. B. Snow, F.C.A.

'Surtax and companies', by Mr J. S. Heaton, F.C.A.

'The problems of a group upon the acquisition of companies', by Mr R. O. A. Keel, F.C.A.

The subjects and speakers at the Cambridge course will be:

'The employment of capital', by Mr J. C. Walker, F.C.A.

'Some considerations in relation to the accounting treatment of stock-in-trade and work in progress', by Mr H. W. Sydenham, F.C.A.

'What the business man expects of the practising professional accountant', by Sir Donald Perrott, K.B.E.

Sir Theobald Mathew, K.B.E., M.C., Director of Public Prosecutions, has accepted an invitation to give an informal talk to the Oxford course on a subject of his own choosing on Sunday morning. Mr J. L. Carey, Executive Director of the American Institute of Certified Public Accountants, will attend the Oxford course and take part in a Sunday evening discussion before the whole course with the Secretary of the Institute.

### Concessions to Former Regular Officers

The Council has decided to exercise its powers under bye-law 63 to make available certain concessions to those who have held or who are holding regular commissions in H.M. Forces. Applications will be considered from those who:

- (i) have held a regular commission in H.M. Forces for not less than five continuous years; and
- (ii) can produce evidence of war service during the period September 3rd, 1939, to August 15th, 1945\*

\* The Council intends to submit to members at the next annual meeting a proposal for amendment of bye-law 63 to enable the Council to dispense with this war service requirement.



The concessions available are as follows:

Under bye-law 63 (a): exemption from the Preliminary examination;

Under bye-law 63 (c): a reduction of not more than one year in service under articles.

Applicants will be required to attend for interview either at the Institute or at a centre outside London to be arranged in conjunction with the district society of chartered accountants concerned.

Officers who are graduates of universities in the United Kingdom are eligible under present regulations to claim a reduction in service from five to three years. No further reduction will be granted to such graduates under bye-law 63 (c).

The Council will not exercise its powers under bye-law 63 (d); no applicant will therefore be exempted from the Intermediate examination.

The Council will consider on their merits applications under bye-law 63 (c) for a reduction in service of one year from former regular officers as above defined who have already commenced service under articles for a term of five years. In such cases the consent of the principal to the application must be submitted when the application is made.

### Registration of Articles

The Secretary reported the registration of 234 articles of clerkship during January 1961.

### Admissions to Membership

The following were admitted to membership of the Institute:

Clarke, Geoffrey Brian, A.C.A., 1961; 96 Charnock Dale Road, Sheffield, 12.

§ Lander, Reginald William, A.S.A.A.; 1961; c/o Babcock & Wilcox of Africa (Pty) Ltd, P.O. Box 545, Vereeniging, Transvaal, South Africa.

¶ McElligott, Matthew Richard Aherne, A.S.A.A.; 1961, \*Alex Aitken & Carter, P.O. Box 1496, Durban, South Africa.

Majzub, Faud, A.C.A., 1961; c/o Foreign Dept., Bank Melli Iran, Head Office, Tehran, Iran.

Nabavi, Parviz, B.Sc.(ECON.), A.C.A., 1961; c/o Foreign Dept., Bank Melli Iran, Head Office, Tehran, Iran.

### Fellowship

The Council acceded to applications from eighteen associates to become fellows under Clause 6 of the supplemental Royal Charter.

### Incorporated Accountant Member becoming an Associate

The Council acceded to an application from the following incorporated accountant member for election

§ Means 'incorporated accountant member'.

¶ Means 'member in practice'.

a indicates the year of admission to the Institute.

aS indicates the year of admission to the Society of Incorporated Accountants.

Firms not marked † or \* are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

as associate under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

Green, William Henry, M.B.E., F.S.A.A., aS1927; with Pettitt, Maddox & Co, Bourne Chambers, St Peter's Road, Bournemouth.

### F.S.A.A.

The Council acceded to one application from an incorporated accountant member A.S.A.A. to use the letters F.S.A.A. under clause 4 (b) of the Scheme of Integration.

### Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Ablett, John Robert, A.C.A., 1958; Purdon Chambers, 100 Jameson Street, Hull.

Ashenden, Dennis Henry, F.C.A., 1949; Walter P. Thomas & L. C. Howe, 30 The Broadway, Wimbledon, London, SW19.

Avison, Gerald Edwin, A.C.A., 1956; Eric S. Browne & Co, Central Buildings, 41 North John Street, Liverpool, 2. Berkinshaw-Smith, Bernard Cyril, B.A., A.C.A., 1956; Fuller, Wise, Fisher & Co, 55/61 Moorgate, London, EC2.

Bobath, Peter Lutz, A.C.A., 1959; Lawrence Kershaw & Co, 108 Park Street, London, W1.

Brown, Norman Leslie, F.C.A., aS1948; J. Castleman & Co, Castle House, 79 King Street, and 12 The Crescent, King Street, Leicester; and at Grange-over-Sands and Wigston.

Charlton, Kenneth Reginald, F.C.A., aS1950; John Baker, Sons & Bell, Cunard House, 88 Leadenhall Street, London, EC3.

Clements, Victor Henry James, A.C.A., aS1957; Albert Goodman & Co, Broad Street House, 54 Old Broad Street, London, EC2, and at Taunton.

Collier, Philip John, A.C.A., 1960; Metcalfe Collier & Co, Metward Chambers, 111 Cecil Road, Enfield, Middlesex, and at Burnham Market and Cheshunt.

Cope, Roland, A.C.A., 1958; 17 Dunholme Avenue, Newark, Notts.

Cound, David Mansell Aubrey, A.C.A., 1956; Rivington, Lawrence & Co, Prudential Chambers, Market Place, Loughborough.

Darlington, Trevor John, A.C.A., aS1953; Pinner, Darlington & Co, 75 Bath Road, Wolverhampton.

Davson, Noel George, F.C.A., 1947; Foot, Davson & Co, 12 Buckingham Street, Adelphi, London, WC2.

Dodd, Michael David, A.C.A., aS1953; \*Morris, Palmer, Day & Vann, 1/2 Milk Street, Cheapside, London, EC2.

Durgan, Raymond William, A.C.A., 1953; \*Barter, Durgan & Co, 2 Chapel Street, Petersfield, Hants, and at Southsea and Waterlooville.

Eteson, David Alan, A.C.A., 1960; Cryer & Kitchen, Midland Bank Chambers, Keighley, Yorks.

Fordham, Raymond Frank, A.C.A., 1958; R. F. Fordham & Co, Insurance House, 110/113 Tavistock Road, Plymouth.

Fox, Richard Murray, B.A., A.C.A., 1959; Fox & Hoare, Bilbao House, 36 New Broad Street, London, EC2.

French, Derrick Thomas, A.C.A., 1957; Pinkney, Keith Gibbs & Co, 56A High Street, Uxbridge, Middlesex.

Gillanders, William, A.C.A., 1954; Richardson, Nutt & Co, St James's Chambers, St James's Street, Derby.

Goodman, Jeffrey Joel, A.C.A., 1960; Jeffrey Goodman & Co, 5 Salters Hall Court, Cannon Street, London, EC4; also at Edgware, Michaels & Goodman.

Gunson, Peter John, A.C.A., 1957; 64 Avondale Avenue, Hazel Grove, Cheshire.

Gwyther, Hugh Michael, A.C.A., 1952; Arthur Gait, Jones & Co, 2/3 Baneswell Road, Newport, Mon.

Hammond, Kenneth William, A.C.A., 1954; Bourner, Bullock, Andrew & Co, Bush Lane House, Cannon Street, London, EC4.

Hawker, Peter John, F.C.A., 1949; Saffery, Sons & Co, 200 Gresham House, Old Broad Street, London, EC2, and at Margate.

Haworth, John Ryder, A.C.A., 1955; Hopkinson & Pollard, 1 Stanley Street, Accrington.

Hird, Alan John, A.C.A., 1960; Dickinson, Keighley & Co, Royal Exchange Chambers, 61 North Parade, Bradford, 1.

Hirst, Anthony Charles, A.C.A., 1960; 27 Oak Road, Halton, Leeds, 15.

Hofmann, Walter Sidney, F.C.A., 1933; Townsend, Watson & Stone, 4 The Broadway, Crouch End, London, N8.

Hubbard, Colin Campbell, A.C.A., 1951; Chantrey, Button & Co, Africa House, Kingsway, London, WC2.

Iilff, Anthony, A.C.A., 1958; 86 Snow Hill, Birmingham, 4.

Isbell, George John Robert, A.C.A., 1960; E. J. Riches & Son, 4, 6 & 8 Cathedral Street, Norwich, Norfolk, NOR 12P, and at Cromer and North Walsham.

Johnson, Keith James, A.C.A., 1956; Hillier, Hopkins & Co, 79 Marlowes, Hemel Hempstead, and at Watford.

Keene, Raymond, A.C.A., 1959; Malvern & Co, 57 George Street, Portman Square, London, W1.

Kemp, Brian Allen, A.C.A., 1958; Saffery, Sons & Co, 200 Gresham House, Old Broad Street, London, EC2, and at Margate.

Legg, Peter Arthur, A.C.A., 1958; Appleby & Wood, Lancashire House, 47 Peter Street, Manchester, 2, and at London.

Lewis, Arthur Raymond, A.C.A., 1960; Sturges, Fraser, Cave & Co, 2 Copthall Buildings, Copthall Avenue, London, EC2, and at Godalming and Kingston, Surrey.

Lilleker, Robert Henry, F.C.A., 1950; Black & Lilleker, Lloyds Bank Chambers, Market Place, Chesterfield.

Maxwell, Charles Joseph Patrick, A.C.A., 1960; 17 Locking Road, Weston-super-Mare.

May, Kenneth Stanley, A.C.A., 1960; \*French, Foster, Pearson & Co, 29 Gray Street, Bath.

Noble, John Brian, A.C.A., 1953; 6 Westville Road, Barnsley.

Paul, John Rowland, M.A., A.C.A., 1956; †Singleton, Fabian & Co, 72 Moorgate, London, EC2, and 30 Southampton Buildings, Chancery Lane, London, WC2.

§Perkins, William Haydn, F.S.A.A., 1931; 25 William Way, Letchworth, Herts.

Perriam, Christopher Paul, A.C.A., 1957; Biggs, Perriam & Co, 6 Castle Street, Barnstable, Devon.

Perrins, John Neville, A.C.A., 1957; Lonsdale & Marsh, 26 Exchange Street East, Liverpool, 2.

Phillips, Roy Keith, A.C.A., 1957; Sidford & Keen, 4 Broad Street Place, London, EC2.

Pizzey, Dennis Alfred, A.C.A., 1958; \*C. Haines, Watts & Co, 194 High Street, Hounslow, Middx., and at Slough.

Pool, Michael Frank, A.C.A., 1956; J. Castleman & Co, 37 Leicester Road, Wigston Magna, Leics, and at Grange-over-Sands and Leicester.

Rasey, Charles Vernon, F.C.A., 1948; Carnaby Harrower, Barham & Co, 6 Berthelot Street, Guernsey.

Riley, Norman Arthur, A.C.A., 1953; Langton & MacConal, 7 Rumford Street, Liverpool, 2.

Roberts, Peter Gordon, A.C.A., 1956; Fincham, Vallance & Co, 3 & 4 Clement's Inn, Strand, London, WC2.

Ryan, Herbert John, A.C.A., 1958; Arthur Gait, Jones & Co, 2 Baneswell Road, Newport, Mon.

Seddon, Alexander, F.C.A., 1950; R. J. Weston & Co, 'Probate House', 37/38 St Mary's Gate, Derby.

Simpson, Brian Major, A.C.A., 1955; \*Hills & Burgess, 20 Bridge Street, Leighton Buzzard.

Southall, Ronald Ernest, A.C.A., 1954; 53 Camp Hill, Birmingham, 12.

Sowerby, John Keith, A.C.A., 1957; Eyton & Eyton, County Chambers, 52 Westgate Road, Newcastle upon Tyne, 1

Spens, The Hon. William George Michael, M.B.E., B.A., A.C.A., 1950; Fuller, Wise, Fisher & Co, 55/61 Moorgate, London, EC2.

Townend, Gerald Patrick, M.B.E., M.A., F.C.A., 1948; Annan, Dexter & Co, 21 Ironmonger Lane, London, EC2.

Vincent, John Charles, B.A.(COM.), A.C.A., 1953; 2 Church Street, Yeovil, Somerset.

White, Ernest, F.C.A., 1933; A. C. Mole & Sons, Stafford House, 10 Billetfield, Taunton, Somerset.

White, Leslie Stuart, F.C.A., 1929; Albert Goodman & Co, Broad Street House, 54 Old Broad Street, London, EC2, and at Taunton.

Wilson, Alan Peter, A.C.A., 1960; Sayer, Watson & Co, Bank Chambers, 42 Kilburn High Road, London, NW6.

### Admission to Membership under the Scheme of Integration

The Council acceded to one application from a member of The Society of Incorporated Accountants for admission to membership of the Institute pursuant to the scheme of integration referred to in Clause 34 of the supplemental Royal Charter.

### Re-admission to Membership

Subject to payment of the amount required by the Council, one former member of the Institute was re-admitted to membership under bye-law 38.

### Change of Name

The Secretary reported that the following change of name has been made in the Institute's records:

Woolfson, Philip, to Wilson, Philip.

### Resignations

The Council accepted the resignations from membership of the Institute of:

Atkins, David Ramsay, F.C.A., Tullens Toat, Pulborough, Sussex.

Baker, Walter Beattie, F.C.A., 1/3 Sandgate, Berwick upon Tweed.

Barnes, Sydney Ruthven, F.S.A.A., Barnes, Taylor & Cowie, Box 173, Pretoria, South Africa.

Bendall, Ronald Frederick, F.C.A., 5 Eden Avenue, Lytham St Annes.

Bushell, (Miss) Margaret, F.C.A., 11 Whittingham College, London, N19.

Gibson, Stanley, F.S.A.A., 6 The Mead, Birkdale, Bexhill-on-Sea.

Hewson, William Kirk, F.C.A., 205 Alexandra Road, Sunderland.

Hobson, Oliver William, M.A., A.C.A., Apt. 307, 509 Union Drive, Los Angeles, 17.

Hornung, George, B.A., F.C.A., Castel House, Les Robais de Hart, Guernsey, C.I.

Huntington, Harold, F.C.A., 4 Sunnymead Close, Middleton-on-Sea, Sussex.

Ling, Algernon Campbell, F.C.A., 30 East Avenue, Bournemouth.

Noble, James Hall, F.C.A., 'Greenbank', Tytherington, Macclesfield.

Rutherford, Peter Ruecastle, F.C.A., 'Pintmere', Walton-on-the-Hill, Tadworth, Surrey.

Tyson, Donovan Henry, F.C.A., Brookside Road, Ridgefield, Connecticut, U.S.A.

Whelan, (Miss) Patricia Jean, A.C.A., 'Holly Bank', Waverley Road, Farnborough, Hants.

### Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr John Leonard Armstrong, B.A., F.C.A., Yateley, Surrey.  
„ William Stanley Berry, F.C.A., Manchester.

- Mr John Clarence Billingham, F.C.A., London.  
 „ Douglas Boden, F.C.A., Haywards Heath.  
 „ Dudley Craig Carruthers, F.S.A.A., Johannesburg.  
 „ William Alfred Chardin, F.C.A., Leigh-on-Sea.  
 „ Arthur Gerald Chifferiel, F.C.A., Richmond, Surrey.  
 „ Henry Miles Waller Claypole, F.C.A., London.  
 „ George Henry Corbett, F.C.A., Kenton.  
 „ William James Crafter, F.C.A., Loughton.  
 „ Ruttonshaw Pestonjee Dalal, F.S.A.A., Bombay.  
 „ John Foster Davey, A.C.A., Teddington.  
 „ Charles Stanford Dawney, F.C.A., Brighton.  
 „ Fernando de Souza, F.C.A., Birmingham.  
 „ Ramanial Chandulal Divan, F.C.A., Bombay.  
 „ William Douglass, F.C.A., Newcastle upon Tyne.  
 „ Alfred George Evans, F.C.A., Manchester.  
 „ Frederick Thomas Farrell, A.C.A., Three Bridges.  
 „ Ralph Alexis Vernon Fleming, M.A., A.C.A., London.  
 „ Andrew Fullerton, M.B.E., F.S.A.A., Leeds.  
 „ Herbert Arthur Gibson, F.C.A., Harrogate.  
 „ Denis McArthur Green, F.C.A., London.  
 „ Edward Hartley, F.C.A., Portsmouth.  
 „ Alfred Anthony Hodgson, F.C.A., Bexhill-on-Sea.  
 „ Alfred Stockdale Hooper, F.C.A., Cape Town.  
 „ Ralph Horton, F.C.A., Derby.  
 „ Herbert Charles Howell, F.C.A., Birkenhead.  
 „ John Lloyd Howell, F.C.A., London.
- Mr Tom Hudson, F.C.A., Bradford.  
 „ John Crichton Jones, F.C.A., Bristol.  
 „ Henry Kemp, F.C.A., Sheffield.  
 „ Henry Hardy Kilvington, F.C.A., West Hartlepool.  
 „ Frank Lancaster, F.C.A., York.  
 „ Kenneth William Latter, F.C.A., Bristol.  
 „ Charles Norman Lee, F.C.A., Bradford.  
 Sir Lionel Harold Harvey Lowe, B.A., F.C.A., Bickley.  
 Mr George Ernest Martin, O.B.E., F.S.A.A., Bexhill-on-Sea.  
 „ Percy Kingham Noad, F.C.A., Odiham.  
 „ Alfred Richard Norman, R.D., F.C.A., Loughton.  
 „ Kelvin Clayton Pollock, B.Sc., F.C.A., Rochester.  
 „ Ernest Roberts, F.C.A., Llanddulas, North Wales.  
 „ John William Robson, F.C.A., Guisborough.  
 „ Robert George Scherer, A.C.A., Kano, Nigeria.  
 „ David Kenneth Douglas Shaw, F.C.A., Manchester.  
 „ Louis Percival Shipman, A.C.A., London.  
 „ Herbert Stanley Sly, F.S.A.A., Buenos Aires.  
 „ Howard Albany Smith, F.C.A., Staines.  
 „ William Monkhouse Steel, F.S.A.A., West Bromwich.  
 Sir William Edmund Sykes, M.C., J.P., F.C.A., London.  
 Mr Archibald Taylor, F.C.A., Norwich.  
 „ Bernard Thistlewaite, O.B.E., F.C.A., London.  
 „ James Thurgood, F.C.A., Doncaster.  
 „ Albert Edwin Tonks, F.C.A., Bournemouth.  
 „ Clinton James Twist, F.C.A., Wigan.  
 „ Charles Percy Ward, F.C.A., Solihull.

## FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

*Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on January 4th, 1961.*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Douglas Sidney Pond, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of clause 21 of the supplemental Royal Charter in that he failed (a) within a reasonable time or at all to reply or take any action in response to repeated requests made to him by a firm of chartered accountants and/or a client in relation to the liquidation of a limited company and (b) to reply to two letters addressed to him by an Under-Secretary of the Institute dated respectively September 14th, 1960, and October 6th, 1960, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Douglas Sidney Pond had been proved under both headings and the Committee ordered that Douglas Sidney Pond, F.C.A., of 12

Clarence Street, Kingston upon Thames, Surrey, be excluded from membership of the Institute.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that an Associate of the Institute had been guilty of an act or default discreditable to a member of the Institute within the meaning of sub-clause (3) of clause 21 of the supplemental Royal Charter in that he procured the publication in a daily newspaper of an advertisement seeking business as a public accountant or which might be interpreted by the public as such, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved and ordered that the member be admonished but, having regard to the special circumstances of the case, the Committee decided that his name should be omitted from the publication of the Finding and Decision.

## MEMBERS' LIBRARY

*The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:*

Accountancy; by W. Pickles: third edition. 1960. (Pitman, 37s 6d.)  
 The Agricultural Policies of Britain and Denmark: a study in reciprocal trade; by E. F. Nash and E. A. Attwood. 1961. (Land Books, 15s.)  
 Audit Reports: their nature and significance. (Canadian Institute of Chartered Accountants). Toronto. 1961. (C.I. of C.A., presented.)

British Industry: change and development in the twentieth century; by J. H. Dunning and C. J. Thomas. 1961. (Hutchinson, 30s.)  
 Case Study Practice: an account . . . of . . . experiences in the use of case studies. (British Institute of Management). 1960. (B.I.M., 12s 6d.)  
 The Charities Act, 1960; with annotations; by S. G. Maurice. 1961. (Sweet & Maxwell, 25s.)

- A Check list for the Organization, Operation and Evaluation of a Company Library; by Eva L. Fisher. New York. 1960. (Special Libraries Association, 18s 6d.)
- Cybernetics and Management; by S. Beer. 1959. (English University Press, 25s.)
- Directory of Employers' Associations, Trade Unions, Joint Organisations, etc., 1960. (Ministry of Labour). [Loose-leaf]. From 1960. (H.M.S.O., 21s.)
- Drawing Office Organization. (British Institute of Management). 1960. (B.I.M., 15s.)
- Green's Death Duties: by G. M. Green: fourth edition by C. D. Harding. 1958. third supplement 1960. (Butterworths, 10s 6d.)
- Guide to Key British Enterprises. (Dun & Bradstreet). 1961. (D. & B., 136s 6d.)
- Income Tax, Surplus and Profits Tax; by R. G. Williams, F.C.A.: twenty-fifth edition. 1960. (Donnington Press, 27s 6d.)
- An Introduction to the law and practice of Betting and Bookmaking; by J. T. Chenery. 1961. (Sweet & Maxwell, 25s.)
- Lands Tribunal Practice and Procedure; by R. F. C. Roach. 1960. (Rating and Valuation Association, 12s 6d.)
- Laurie's Decimal Tables of Simple Interest . . . ; by J. Laurie. 1960. (Routledge & Kegan Paul, 50s.)
- Law of Banking; by Lord Chorley; fourth edition by Lord Chorley and M. Holden. 1960. (Pitman, 35s.)
- Management Survey; by Sir F. Hooper: second edition 1961. (Pitman, 25s.)
- Measurement of Responsibility: a study of work, payment and individual capacity; by E. Jaques. 1956. (Tavistock Publications, 15s.)
- The Ministry of Labour and National Service; by Sir G. Ince. 1960. (George Allen & Unwin, 25s.)
- A Neo-Classical Theory of Economic Growth; by J. E. Meade. 1961. (George Allen & Unwin, 25s.)
- The New Law of Betting and Gaming; by J. P. Eddy and L. L. Loewe. 1961. (Butterworths, 45s.)
- Now, If I Were the Manager; by H. Whitehead. 1961. (Pitman, 12s 6d.)
- Profit Planning through Volume-Cost Analysis; by J. Y. D. Tse. New York. 1960. (Macmillan, 55s 6d.)
- The Quantum of Damages; by D. A. M. Kemp, Margaret S. Kemp and C. J. C. McOustra: Vol. 1: personal injury claims: second edition. 1961. (Sweet & Maxwell, 63s.)
- Road Traffic Acts 1960; being the annotated texts . . . ; by R. Schless. 1960. (Butterworths, 50s.)
- The Science of Wealth: an elementary textbook of economics by C. F. Carter. 1960. (Edward Arnold, 14s.)
- Securities for Bankers' Advances; by J. M. Holden: third edition 1961. (Pitman, 35s.)
- Snell's Principles of Equity; by E. H. T. Snell: twenty-fifth edition by R. E. Megarry and P. V. Baker. 1960. (Sweet & Maxwell, 50s.)
- Spicer & Pegler's Income Tax and Profits Tax; by E. E. Spicer, F.C.A., and E. C. Pegler, F.C.A.: twenty-fourth edition by H. A. R. J. Wilson, F.C.A. 1961. (H.F.L., Presented, 30s.)
- Stock Exchange Transactions: income, taxation, documentation and audit; by C. A. Perry. 1960. (Pitman, 20s.)
- Tax in Pakistan: a brief outline with particular reference to tax conversions . . . and incentives . . . (Central Board of Revenue). Karachi. 1960. (Central Board of Revenue, gratis.)
- The World of Mathematics; edited by J. R. Newman. 4 vols. 1960. (George Allen & Unwin, 147s.)

## In Parliament

### £ Sterling; Value

Mr C. OSBORNE asked the Chancellor of the Exchequer what is the internal purchasing power of the £ today, as compared with September 1956 and September 1939, respectively

Mr BARBER: The figures for the internal purchasing power of the £ are 18s 6d now as compared with September 1956 and 7s 2d as compared with average of the year 1939. A comparison with September of that year is not available.

*Hansard*, Jan. 26th, 1961. Written Answers. Col. 44.

### Company Registration

Mr FLETCHER asked the President of the Board of Trade whether he is aware of the difficulty that is being caused by reason of the refusal of the Companies Registrar to register a new company without a certificate that the name proposed is not merely not a registered trade-mark but does not resemble any registered trade-mark; and what action he proposes to take in the matter.

Mr MAUDLING: Yes, sir. New instructions are being issued so that the statement to which the hon. Member refers will no longer be required.

*Hansard*, Jan. 26th, 1961. Oral Answers. Col. 326.

### Income Tax: Accountancy Fees

Mr NABARRO asked the Chancellor of the Exchequer whether he is aware that some inspectors of taxes admit as part of a maintenance relief claim for Schedule A income tax, professional fees and expenses relating to the claim including accountancy fees, whereas other inspectors do not so admit, and that some inspectors admit and others refuse to admit accountancy fees as a deduction for computing liability to Schedule D and Schedule E income tax; what is the reason for such inconsistencies; and whether he will make a statement.

Mr SELWYN LLOYD: In general accountancy fees for preparing a maintenance claim are admissible expenses of management for the purposes of such a claim, and normal fees for preparing business accounts are an allowable business expense. Except under those heads, accountancy fees do not rank for tax relief. If my hon. friend will send me particulars of any cases known to him where inspectors of taxes are not observing these rules I will have inquiries made and write to him.

*Hansard*, Jan. 31st, 1960. Written Answers. Col. 108.

### Intestacy

CAPTAIN KERBY asked the Chancellor of the Exchequer how much money accrued to his department during 1960 from persons who died intestate, in cases where no next of kin could be found by his department.

SIR E. BOYLE: The Crown share for *bona vacantia* for 1960, including assets from dissolved estates, is just under £326,000.

*Hansard*, Feb. 3rd, 1961. Written Answers. Col. 169.

# For Students

## COST ACCOUNTING Practical Problem

### Question

IN the manufacture of a commodity, four raw materials are mixed into a compound in the following standard proportions:

Materials	A	B	C	D
Standard proportions	30%	40%	20%	10%
Standard price per lb.	2s 0d	2s 3d	5s 3d	4s 6d
Eight lbs. of the mixture should produce one hundred finished units.				

The actual production during the week ended March 5th, was 100,000 finished units and the actual consumption of raw materials was:

Materials	A	B	C	D
Consumption	2,320	3,160	1,660	880
Actual price per lb.	1s 9d	2s 6d	5s 0d	4s 6d

Prepare - (a) A statement showing:

- (i) standard consumption and cost;
- (ii) actual consumption and cost;
- (iii) standard cost of actual mix; and

(b) The materials account disclosing the variances arising.

### Answer

#### COMMODITY...

- (a) MATERIALS USED IN PRODUCTION  
for the week ended March 5th, 19...  
Production - 100,000 finished articles

	(i) Standard	(ii) Actual	(iii) Standard cost of actual mix	
	Con- sumption lb.	Con- sumption lb.	Actual con- sumption lb.	Standard cost per lb. Total
A	2,400	2,320	2,320	2 0 232
B	3,200	3,160	3,160	2 3 355.5
C	1,600	1,660	1,660	5 3 435.75
D	800	880	880	4 6 198
	8,000	8,020	8,020	£1,221.25

### Notes:

Standard consumption is calculated in the following way:

$$\text{Standard mixture required 8lb.} \times \frac{100,000}{100} = 8,000 \text{ lb.}$$

	A	B	C	D
Standard proportions (per question)	30%	40%	20%	10%
Weight required	2,400 lb.	3,200 lb.	1,600 lb.	800 lb.

### (b)

#### MATERIALS ACCOUNT

	lb.	£		lb.	£
Financial ledger control account			Work in progress		
Actual cost			Standard cost		
(see (ii) above)	8,020	1,211	(see (i) above)	8,000	1,200
Price variance			Variances:		
£(1,221.25-1,211)		10.25	Usage		
			(see note (i))	20	3
				8,020	1,203
			Mixture:		
			£(1,221.25-1,203)		18.25
	8,020	1,221.25		8,020	1,221.25

Note: (1) The average cost per lb. of materials used is as follows:

$$\frac{£1,200}{8,000 \text{ lb.}} = 3s$$

Thus the usage variance is computed by multiplying the total materials used in excess of standard by the average cost per lb., viz.  $20 \times 3s = £3$ .

(2) The material mixture variance is the proportion of the material usage variance which is due to the difference between the standard and the actual composition of the mixture.

(3) The price variance is the difference between the standard cost of the actual materials consumed (see (a) (iii) above) and the actual cost.

## COMPANY LAW

### Unit Trusts and Equitable Apportionments

THE right as between the tenant for life and remainderman under a trust to a bonus declared on settled shares depends on the power and intention of the company as to the capitalization of its profits. If the company has power in its articles either to distribute profits as dividends or to convert them into capital, then the decision of the company in accordance with its regulations is binding on all persons interested therein, so that what is paid by the company as dividends is receivable by the tenant for life, and what is paid by the company as capital, or appropriated to the increase of the company's capital, accrues for the benefit of those entitled to the capital of the estate, e.g. the remainderman. If the company exercises its power to capitalize accumulated profits and gives no option except to take the bonus in the form of shares, then such shares must be treated as capital (*Bouch v. Sproule* ((1887) 1 Ch. 359)); but where an absolute option is given by the company to take the dividend either in cash or in new shares, then any such shares so taken are considered as income of the trust estate.

So far as capital profits of a company are concerned, the principles which regulate the distribution of those profits as between persons interested, whether as tenant for life or as remainderman, are stated in the Privy Council decision of *Hill v. Permanent Trustee Co of New South Wales* ([1910] A.C. 720). In that case, and subject to later modifications, it was decided that such distributions by a company, still a going concern and not being by way of reduction of capital, remain, as a rule, income of the estate, and fall to be dealt with for the benefit of the tenant for life.

The position as between tenant for life and remainderman as regards the produce of sub-units held by a trust estate in certain fixed trusts came before the Court for consideration in *Whitehead's Will Trusts* ([1959] 2 All E.R. 497). In particular, it fell to be decided whether sums of money included in periodical distributions by unit trustees ought to be treated as capital or income, or ought to be apportioned between capital and income by the trustees of a settlement where the counterfoils attached to the relevant warrants for payment described such sums as capital.

The distributions described as capital were not all proceeds of sale of bonus shares. There were also 'capital distributions' and a 'capital repayment' in respect of the underlying securities held in the portfolio of the unit trust.

Whilst a unit trust is not, as a rule, subject to the Companies Act, 1948, but is regulated by its own constitution, charter or trust instrument, and a sub-unit is not an investment in the same way as a holding

of investments by trustees in a limited company, nevertheless, following the rule laid down in *Bouch v. Sproule*, and later cases (where the opinion is expressed that it is the intention of the particular company which controls the result), the unit trust receives the cash or shares, as the case may be, impressed with the character to which the intentions of the companies whose shares form the unit trust's portfolio point. That being so, the question then arises as to the extent to which that process is to be repeated when the unit trust itself makes distributions under the terms of the unit trust deed to the holders of sub-units.

In the recent case in question it was decided that the managers of the unit trust were not concerned with the character in which sub-unit holders received a share in any distribution resulting from the underlying investments of the unit trust, but that notwithstanding the provisions of a trust deed, trustees under a will or settlement must inquire into the source of each dividend which is labelled a capital distribution and treat it as income or capital of the trust estate on the same principles as would be applied if they were the direct holders of the shares included in the portfolio of the unit trust.

#### Misfeasance

**ALTHOUGH** there is no distinct wrongful act known to the law as misfeasance, yet, in relation to an incorporated company, the expression generally connotes a breach of duty committed and which has resulted in a misapplication of a company's property.

Section 333 of the Companies Act, 1948, gives an important form of redress by way of recovery or compensation against officers and others prescribed therein in regard to irregularities in the management of a company, and also against a liquidator in regard to any improper dealing with the assets of a company; and it provides that where (in any kind of liquidation proceedings) it appears that any person who has taken part in the formation or promotion of the company, or any past or present director, manager or liquidator, or any officer of the company, has misapplied or retained, or become liable or accountable for any money or property of the company, or has been guilty of any misfeasance or breach of trust in relation to the company, the Court may, on the application of the Official Receiver, or of the liquidator, or of any creditor or contributory, examine into the conduct of the promoter, director, manager, liquidator or officer, and compel him to repay or restore the money or property or any part thereof respectively with interest at such rate as the Court thinks just, or to contribute such sum to the assets of the company by way of compensation in respect of the misapplication, retainer, misfeasance or breach of trust as the Court thinks just.

These statutory provisions operate notwithstanding that the offence may also be one in respect of which the person concerned may be criminally liable; and an order made in the proceedings is deemed to be a final judgment on which a bankruptcy notice may issue against the person or persons found to be liable.

In any proceedings brought under Section 333, the applicant must prove (i) that a misfeasance or breach of trust has been committed; and (ii) that a loss has resulted to the company. If a creditor or contributory

makes the application to the Court then he must also show that he will benefit as a result of the proceedings so undertaken.

The section is a procedural one, the object of which is to enable proceedings to be brought during a liquidation for the recovery of assets (or their equivalent) improperly dealt with during liquidation or, more usually in practice, whilst the company was a going concern; and the acts of misfeasance envisaged by it are those which are wrongful, according to the established rules of law and equity, done by a person charged in his capacity as a director, promoter, officer, etc. Thus although, for instance, it covers any breach of duty by an officer of the company in his capacity of officer resulting in any improper misapplication of the assets or property of the company, it is not every wrongful act that is within the ambit of the section. For whilst on the one hand a wrongful act involving the misapplication of the company's property at the instance of the person charged is clearly within it, yet on the other hand, a mere claim for damages for common law negligence only would not be. Circumstances which, by way of example, have given rise to proceedings under the section include (i) the payment of dividends out of capital (*Re National Bank of Wales Ltd* ([1899] 2 Ch. 629)); (ii) the improper payment of moneys to a promoter (*Re Anglo-French Co-operative Society; ex parte Pelly* ([1882] 21 Ch.D. 492)); (iii) a fraudulent preference which benefited directors (*Washington Diamond Mining Co* ([1893] 3 Ch. 95)); (iv) the improper payment of dividends resulting from a neglect of duty on the part of an auditor (*Re London and General Bank (No. 2)* ([1895] 2 Ch. 673); *Re Kingston Cotton Mill Co (No. 2)* ([1896] 2 Ch. 279)).

Whilst a liquidator is expressly within the section, the question whether the wording is inclusive of a receiver and manager of the property of a company appointed out of Court by a debenture-holder was considered in *Re B. Johnson & Co (Builders) Ltd* ([1955] 2 All E.R. 775). In that case, a contributory of the company commenced proceedings under the section in respect of the conduct of a receiver and manager whilst acting in such capacity prior to the making of a winding-up order. The grounds were that on appointment he had not continued the company's business but had stopped all building work, despite advice that such a course of action would involve financial loss which in fact it did; and that because of the failure to make certain claims, or by the making of other but inaccurate claims, against the Central Land Board under the Town and Country Planning Act, 1947, for loss of development value, further financial loss had resulted.

It was held by the Court of Appeal that (i) a person appointed a receiver and manager is not an officer or manager within the meaning of Section 333, for he is not manager of the company but a receiver and manager of the property of a company; (ii) that in any event, the receiver and manager appointed by a debenture-holder was under no duty to the company or its contributories to preserve the goodwill and business of the company; and (iii) that the allegations against the receiver and manager concerning the claims against the Central Land Board were allegations of negligence merely and were not misapplications of the company's property. Consequently the receiver and manager was not liable under Section 333.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS ANDREAE & FINGLAND, Chartered Accountants, of Nassau, Bahamas, announce that Mr BERNARD GADD, A.C.A., has been admitted to the partnership as from February 1st, 1961. The name of the firm will remain unchanged.

MESSRS COOPERS & LYBRAND (International Firm) announce that they have opened an office at 33 North High Street, Columbus, Ohio.

MESSRS A. P. SMITH & Co, Chartered Accountants, of 20 Princess Street, Manchester, 1, announce that Mr DEREK EDWARD O'CONNOR, F.C.A., ceased to be a partner from January 19th, to enable him to take up an appointment elsewhere. The practice will be continued by the remaining partners, Mr F. J. CONNOR, F.C.A., and Mr J. N. O'CONNOR, F.C.A.

## Appointments

Mr W. D. Mather, M.A., F.C.A., has been appointed a member of the Sheffield Stock Exchange Committee.

Mr J. R. Vernède, F.C.A., has been elected chairman of the Tea Trade Committee for 1961.

Mr E. Walley, F.C.A., secretary of Ekco Plastics Ltd has been appointed a director of the company.

Mr C. H. R. Fancote, F.C.A., director and secretary of Bell & Nicolson Ltd has been appointed joint managing director as from April 1st.

Mr Eric Turner, F.C.A., has joined the board of Churchill Machine Tool Co Ltd and has been appointed chairman, following the take-over of the company by Birmingham Small Arms Co Ltd.

Mr E. D. O'Connor, F.C.A., has been appointed a director of Hogg & Mitchell (Holdings) Ltd.

Mr F. L. Cooke, F.C.A., has been appointed a director of Marley Tile (Holdings) Co Ltd.

Mr A. A. Wylie, F.C.A., has been appointed joint managing director of R. F. D. Co Ltd.

Mr J. W. Kelsey, M.C., F.C.A., has been co-opted to the boards of Allied London Properties Ltd and Federated and General Investments Ltd.

Mr H. T. Nicholson, F.C.A., and Mr C. G. Brown, F.C.A., have been invited to join the boards of Temperance Billiard Halls Ltd, S. Gibson & Sons Ltd and Capital & Provincial News Theatres Ltd.

Mr Malcolm T. Rimmer, A.C.A., has been appointed secretary and accountant of Fawcett Preston & Co Ltd of Bromborough, and secretary of the New Eagle Foundry Co Ltd of Birmingham, both members of the Metal Industries Group.

Mr W. F. Taylor, C.A., has been appointed controller of Kodak Ltd from January 1st, and will join the board on April 1st following the retirement of Mr S. C. Smyth, F.C.A.

Mr Robert P. Crout, F.C.I.S., A.A.C.C.A., has been appointed secretary of Schweppes Ltd in succession to Mr L. M. Alexander, who continues as general manager.

## LOCAL GOVERNMENT SERVICES

Three statistical returns giving details of local government services in respect of welfare, health and children for 1959-60 were issued recently by The Institute of Municipal Treasurers and Accountants in conjunction with The Society of County Treasurers.<sup>1</sup>

### Welfare Services

The eleventh annual return of welfare services gives details of the income and expenditure of authorities per 1,000 population on each branch of the services provided under the National Assistance Act, and costs per resident week in different sizes of home, analysed under the main headings of cost. The total net expenditure falling on the rates in 1959-60 was £22,887,928 compared with £21,015,549 in 1958-59. The total cost was equivalent to a rate of 7·97d in the £, compared with 8·23d in 1958-59.

### Health Services

The return on health services shows expenditure per 1,000 population for each part of the service, i.e. day nurseries, ambulance service, etc., and unit costs are given for some of the more important sections. Totals and averages for each type of authority and for all authorities are given. The summary tables show that total expenditure increased from £56,592,113 in 1958-59 to £62,165,943 in 1959-60. The continued activity in 'Vaccination and Immunization' is reflected by the increase in the cost per 1,000 population from £27 16s to £40 16s.

### Children Services

Similar statistics contained in the booklet on children services contains information about expenditure and the costs of maintenance in residential homes and nurseries provided by all local authorities in England and Wales and shows for each county borough and county the net expenditure and grants per 1,000 population.

The number of children in care rose by 644 during the year ended March 31st, 1960, to 60,395 and the average cost for caring for each child amounted to £5 7s a week compared with £5 2s 7d a week in the previous year, and the rate equivalent expenditure as a rate in the £ amounted to 6·76d compared with 4·14d in 1958-59. The increase is due to the children services grant to local authorities being discontinued from April 1959, by the provisions of the Local Government Act, 1958. Net expenditure totalled £21,156,675 in the year against £20,443,158 in the previous year.

<sup>1</sup> *Local Health Services Statistics 1959-60, Welfare Services Statistics 1959-60, Children Services Statistics, 1959-60.* Each price 5s post free. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, SW1.



### WAR DAMAGE PAYMENTS

During 1960 the War Damage Commission paid out £10½ million compared with £13½ million in 1959 and £19½ million in 1958. The average weekly rate of payments in the last quarter of 1960 was £160,000.

The Commission paid 3,801 'cost of works' claims for repairs during the year, and made 1,203 payments on account or as instalments. The amount involved was £8 million of which nearly £¾ million was for the repair and rebuilding of houses. Other principal items were: commercial buildings, £1½ million; factories, £1 million; churches, £2 million; shops, £¾ million. The average amount of each claim paid during 1960 was £2,149 compared with £2,066 in 1959 and £2,390 in 1958.

Total war damage payments made by the Commission now amount to £1,265½ million in 4,738,000 separate payments. Details of the total amounts paid by the Commission in respect of certain non-commercial buildings up to the end of 1960 are as follows:

Coventry Cathedral, £693,204; County Hall, London County Council, £177,199; Guildhall, York, £130,478; Guildhall, London, £728,859; University of Bristol, £149,231; Museum, Birmingham, £192,359; Liverpool Library, £279,102; Convent School, London, £129,245; Mercer's Hall, London, £523,136.

### DUBLIN SOCIETY OF CHARTERED ACCOUNTANTS

Mr L. G. Chance, F.C.A., presided at a meeting of the Dublin Society of Chartered Accountants held at *The Royal Hibernian Hotel*, Dublin, on January 23rd, when Professor George O'Brien addressed members on the economic prospects of Ireland for 1961.

Professor O'Brien said that in 1960 the gross national product of the Republic had risen by 4½ per cent and it was estimated that in 1961 it would rise by 3 per cent. Industrial production during the year 1960 had achieved a 7 per cent rise. The big problem facing governments today, said Professor O'Brien, was the choice between stability or growth. One school of thought favoured growth of the economy at the expense of stability while on the other side it was thought better to achieve stability at all costs, even at the expense of growth.

Speaking on Budget prospects for 1961, he said that at the moment it appeared that there would be an increase in revenue of approximately £6-7 million to bring the total current receipts to about £136 million. On the expenditure side, there had been a sharp rise in Central Fund expenditure during the first nine months of the financial year and it seemed likely that there would be an overall increase in total Government expenditure in the region of £11-12 million, bringing the total up to £140 million. This suggested a small Budget deficit. Therefore the outcome of the current year's return was not likely to provide the Government with an opportunity for extensive tax reliefs, and as there was nothing in the financial situation to suggest the requirement of tax increases, the most probable outcome for the Republic was a 'standstill' Budget.

### ACCOUNTANCY FOR THE GRADUATE

A new booklet entitled *Accountancy - a career of opportunity for graduates* has been issued by The Association of Certified and Corporate Accountants as a companion to the one issued by the Association for

the information of school-leavers and careers masters under the title *Accountancy - a career of opportunity*.

The new booklet has been written specially for the university graduate and contains in outline, details of the work of the accountant and the opportunities open to the graduate within the profession and in industry and commerce. Information is also given of the Association's examinations, the special examination exemptions for graduates and salaries that can be expected after qualification.

### MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

The next two meetings of the Manchester Society of Chartered Accountants are to be held as follows:

*February 22nd:* Discussion group meeting, 'Aspects of auditing - as presented to the Institute's Summer Course'. Leader: Mr J. A. Taylor, F.C.A.

*February 27th:* 'What the investment analyst would like to see in company reports and accounts', by Mr A. R. English, F.C.A.

Both meetings, which commence at 6 p.m., will be held at the Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2, and will be preceded by tea and biscuits.

### MANCHESTER CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

The annual dinner of The Manchester Chartered Accountants' Students' Society will be held on Thursday, March 2nd, at *The Midland Hotel*, Manchester, under the chairmanship of Mr T. W. E. Booth, F.C.A., President of the Society.

Mr C. U. Peat, M.C., F.C.A., Immediate Past President of the Institute, will be present and will respond to the toast of 'The Institute of Chartered Accountants in England and Wales' which is to be proposed by Mr H. R. Page, M.A. (Admin.), F.I.M.T.A., City Treasurer of Manchester. The toast of 'The Manchester Chartered Accountants' Students' Society' will be proposed by Mr B. V. Bowden, M.A., PH.D., M.I.E.E., Principal of the Manchester College of Science and Technology, and Mr Booth will respond.

### THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

#### Next Week's Meetings

The following meetings of the London Students' Society will be held next week:

*Monday, 5.30 p.m.,* at the Institute: Lecture on 'The new look in building society accounts', by Mr Alexander Meikle, C.A., Past Chairman, The Building Societies Association.

*Tuesday, 6.0 p.m.,* at Westfield College, Kidderpore Avenue, NW3. Joint debate on the motion 'Women make poor politicians'.

*Thursday, 5.15 p.m.,* at the Institute: Introductory course lecture on 'The fundamentals of auditing', by Mr F. R. Porter, F.C.A., A.C.W.A.

*7.15 p.m.,* at Reading: Lecture on 'Income tax appeals', by Mr D. H. Smethurst, H.M. Inspector of Taxes.

*Friday, 5.15 p.m.,* at the Institute: Introductory course lectures on 'The basic principles of double entry and accounting systems', by Mr R. J. Carter, B.COM., F.C.A., Secretary of the Students' Society, and 'The law and its branches', by Mr P. W. Medd, Barrister-at-law.

**BEDFORDSHIRE CHARTERED  
ACCOUNTANT STUDENTS**

The second annual dinner and dance of the Bedfordshire Branch of The Chartered Accountant Students' Society of London was held at *The Royal Hotel*, Luton, on January 27th, presided over by the Chairman of the Branch, Mr T. A. Parry, F.C.A.

Responding to the toast of the Branch, proposed by Mr J. B. Pincock, F.C.A., Chairman of the Beds, Bucks, and Herts Branch of the London and District Society, Mr Parry likened the Branch to a ship with a crew and with passengers, 'some of the passengers, however, have never yet been aboard' he added. He thanked the officers for all the work they had put in on behalf of the Branch. Other speakers were Mr J. R. Lewis and Councillor J. L. Dickinson, F.C.A.

**LEEDS AND BRADFORD STUDENTS'  
RESIDENTIAL COURSE**

The tenth annual residential course to be arranged jointly by The Leeds, Bradford and District Society of Chartered Accountants, The Leeds and District Chartered Accountant Students' Association and The Bradford and District Chartered Accountant Students' Society will be held during the periods March 20th to 23rd (for Intermediate students) and April 10th to 13th (for Final students) at Grantley Hall, near Ripon.

The courses are designed to help students by providing lectures within the Institute's syllabus, particularly on those subjects which present the most difficulty, and also to enable students to discuss their problems with lecturers.

**THE INSTITUTE OF INTERNAL AUDITORS****Manchester Chapter**

The Manchester Chapter of the Institute of Internal Auditors is holding its next meeting on February 28th, at 7 p.m., in the Board Room, North Western Gas Board, Stretford, Manchester, when Mr R. Kerr, M.B.E., F.C.A., chief accountant, North Western Gas Board, will address the Chapter on 'The application of electronic accounting in the North Western Gas Board'. The chair will be taken by Mr A. D. Compston, President of the Chapter and chief internal auditor of the North Western Electricity Board.

The secretary of the Chapter is Mr R. S. Rossiter, divisional internal auditor, Shell-Mex and B.P. Ltd, Shell-BP House, 7 Oxford Road, Manchester, 1.

**Yorkshire Chapter**

The next meeting of the Yorkshire Chapter of The Institute of Internal Auditors will be held at 7 p.m., on February 21st, at *The Guildford Hotel*, The Headrow, Leeds, 1, when Mr J. T. Fletcher will give a talk on 'Beating the burglar'. The secretary of the Chapter is Mr J. Coates, divisional internal auditor, Shell-Mex and B.P. Ltd, Shell-BP House, Eastgate, Leeds, 2.

**FURTHER EDUCATION**

The Federation of British Industries has published a handbook entitled *Further education for those in industry and commerce*, to bring up to date the many different aspects of further education as they concern the employer and trainee in his employment.

The booklet deals with recruitment and training, types of technical commercial colleges and courses,

the growth of part-time release, the Industrial Training Council, group training schemes, the financial aspects of further education and the employer's contribution to further education.

Copies of the booklet are available from F.B.I., Print and Publications, 21 Tothill Street, London, SW1, 6s post free (excluding airmail).

**COURSE ON FINANCIAL TECHNIQUES**

A two-day course on 'Financial techniques for management', is to be held at *The Midland Hotel*, Manchester, 2, on February 14th, and 15th.

The subjects will include profitability ratios; break-even analysis; added value analysis, and cash flow statements. The measurement of return on investment will be fully explored, as well as ways of analysing variations in the return. The course will also deal with financial ratios relating to current and fixed assets.

Speakers will be Mr Alan Kershaw, F.A.C.C.A., F.C.W.A., and Dr James M. S. Risk, B.COM., PH.D., F.C.I.S., F.B.I.M. Further details regarding the course are obtainable from Management Courses Ltd, 18 Hanover Street, London, W1.

**CONFERENCE ON FINANCING EXPANSION**

What does a public issue entail? How can the merchant banks help industry? and what bearing has taxation on growth? are among questions affecting the growth of industry which will be discussed at a conference on 'Financing expansion', organized by the British Institute of Management, to be held on March 15th, at the Connaught Rooms, Great Queen Street, London, WC2.

Sir Harold Gillett, M.C., F.C.A., will take the chair. Speakers will include Mr B. A. Maynard, M.A., F.C.A., A.C.W.A., partner in the firm of Cooper Brothers & Co, Chartered Accountants, of London, on 'Taxation and expansion'; Mr J. A. Hunter, M.B.E., T.D., member of the Council of the London Stock Exchange, on 'Public issues'; Mr John B. Kinross, O.B.E., general manager, Industrial & Commercial Finance Corporation Ltd, on 'Capital for business'; Mr H. Simpson Cook, manager, United Dominions Trust Ltd, on 'Hire-purchase finance'; and Mr L. C. Mather, B.COM. (London), F.C.I.S., F.I.B., joint general manager, Midland Bank Ltd, on 'Credit for industry'.

Further details regarding the conference are obtainable from the British Institute of Management, 80 Fetter Lane, London, EC4.

**ARE YOU A GOOD DICTATOR?**

When engaging a new secretary or audio-typist, most business men are concerned to learn, either by test or certificate, what typing speed the applicant is capable of. Many executives are not so concerned about their own dictating ability - or conscious of the fact that it is often very poor.

A two-day course on 'Machine dictation for executives' is to be held on March 21st and 22nd at *The Kensington Palace Hotel*, London, W8, with Mr Donald Holms, radio and film commentator as the tutor. The number of participants will be strictly limited, though further similar courses may be arranged.

Details from The Institute of Office Management, 56 Victoria Street, London, SW1.

# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

## Results of Examinations held in November 1960

### FINAL EXAMINATION

*Held on November 29th and 30th and December 1st and 2nd.*

#### Certificates of Merit with Prizes Awarded

*First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize and the Plender Prizes for the papers on Taxation and English Law (Parts I and II)*

Yale, Mary Anora (T. Taylor), Llandudno.

*Second Certificate of Merit and the Walter Knox Scholarship*

Davies, Roger William (S. A. Common), Newport, Mon.

#### *Third Certificate of Merit*

Lacey, Patrick William (O. S. Francis), Reading.

#### *Fourth Certificate of Merit*

Richards, Ivor Bryan (N. W. Newman), London.

#### *Fifth Certificate of Merit*

Bates, Eric (J. E. Mulcaster), Newcastle upon Tyne.

#### *Sixth Certificate of Merit*

Evans, Alan William (J. D. Shepard), London.

*Seventh Certificate of Merit and the Plender Prize for the paper on Advanced Accounting (Part I) (Equal with one other)*

Marshall, Neil Francis (S. Fawcett), Salisbury.

#### Full List of Names of Successful Candidates

(In alphabetical order)

Adamson, E. K. (L. R. Bellis), Bolton.	Bacon, R. M. (K. S. Moore), London.
Ahmad, K. (B. Susman), London.	Bagshaw, C. V. (J. C. C. Braint), Leicester.
Aidin, M. R. (J. T. Finnis), London.	Baker, A. J. (G. L. Eccleshall), London.
Alam, S. (H. A. Ryley), Smethwick.	Balendran, K. (S), Colombo.
Aldous, B. J. (S. P. McGuire), Norwich.	Ball, G. A. (C. R. Stephenson), London.
Aldridge, J. (L. C. Harman), London.	Barfoot, P. W. (S. A. Forster), London.
Allan, J. R. (H. D. Leete), Manchester.	Barker, G. E. A. (W. G. Densem), London.
Allcock, J. F. (E. H. King), Birmingham.	Barker, J. R. (G. Anderson), Newcastle upon Tyne.
Allen, M. C. (D. H. C. Tonks), Birmingham.	Barker, T. (J. Allured), Manchester.
Ally, M. A. (A. G. A. Rainey), London.	Barlow, R. A. (G. H. Barnard), London.
Alton, A. G. R. (F. H. Richardson), Derby.	Barron, J. M. (W. P. Hancock), London.
Amer, C. G. (E. C. Mercer), Liverpool.	Barton, E. K. (H. R. Barton), Wigan.
Amobi, C. C. (G. W. Murphy), Manchester.	*Bates, E. (J. E. Mulcaster), Newcastle upon Tyne.
Anderson, I. S. (D. G. Bendall), London.	Beale, G. H. (G. L. C. Touche), London.
Andrews, R. M. (A. J. M. Roberts), London.	Bearman, G. W. (E. R. Hyett), London.
Annett, P. (J. B. Dunford), Newcastle upon Tyne.	Beeby, J. E. (R. F. Watkins), Northampton.
Armitage, R. (formerly with H. R. Hayes, deceased), Manchester.	Bekhor, D. H. (K. A. Jones), London.
Armitt, D. L. (Sir Richard Yeabsley), London.	Bell, M. A. (R. D. Keyworth), Newton Abbott.
Arram, M. (R. A. C. Mordant), London.	Belt, J. S. (W. N. Chick), Nottingham.
Ashby, S. J. (M. C. Holmes), Eastbourne.	Bennett, G. D. (E. B. Orr), London.
Ashcroft, T. (H. W. Southworth), Preston.	Bennett, J. J. T. (L. T. Eyles), London.
Ashford, P. D. (R. Morris), London.	Berlanny, B. P. (T. D. Walker), London.
Ashurst, A. (J. F. Dunk), Sheffield.	Berry, D. C. (J. M. Selby), London.
Ashworth, J. B. (E. H. Newman), Leeds.	Berry, G. V. (G. W. M. Phillips), London.
Astley, W. B. (D. F. Giles), St Leonards-on-Sea.	Berry, J. A. (A. Haringman), London.
Atkins, E. G. (C. B. Fytche), London.	Bicknell, R. (E. S. Townley), London.
Atkinson, G. (A. K. Gill), Leeds.	Billingham, G. J. (H. Bullard), Northampton.
Atkinson, R. W. (J. W. Hawkins), Normanton.	Binks, A. C. (J. Dolan), Bradford.
Atkinson, W. S. (R. J. Green), Melton Mowbray.	Bird, R. L. (R. Fawcett), London.
Austin, J. H. (P. A. Bayliss), London.	Biswas, C. (S), Calcutta.

\* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

- Blake, M. J. (H. D. Waller), Newcastle upon Tyne.  
 Blaxter, D. (L. C. Pegley), London.  
 Boatman, B. R. (R. S. Andrews), London.  
 Bolton, G. R. (H. Bullard), Northampton.  
 Bolton, J. D. (A. D. Walker), Liverpool.  
 Bolton, M. (D. S. Osborne), Birmingham.  
 Bond, C. B. (W. T. Smith), Chester.  
 Booth, A. H. (D. W. Wilkinson), Preston.  
 Bouic, J. G. (P. W. Mertens), London.  
 Boulter, T. L. (N. H. Parkinson), Leicester.  
 Bourke, T. F. (S), Enniscorthy.  
 Bower, J. T. S. (A. G. B. Burney), London. (*William Quilter Prize*).  
 Bowes, R. N. (D. R. Fendick), Manchester.  
 Brackin, A. J. (A. P. W. Simon), London.  
 Bradbury, W. A. N. (F. H. Kershaw), Oldham.  
 Bradman, G. M. (C. Fine), London.  
 Bradshaw, E. (W. J. Berry), Manchester.  
 Braham, M. A. (F. W. E. King), London.  
 Brampton, D. G. W. (N. Green), Sudbury.  
 Braxton, A. G. (I. V. Cummings), Romford.  
 Bray, G. (J. P. Blows), London.  
 Brecknell, M. A. (J. S. Paine), London. (*Plender Prize for the paper on General Financial Knowledge, Cost and Management Accounting*).  
 Breen, P. (C. McCaig), Liverpool.  
 Brett, C. E. F. (C. G. Larking), Maidstone.  
 Brining, M. D. (J. Perfect), London.  
 Brison, J. A. (R. Heatherington), Newcastle upon Tyne.  
 Broadbent, B. W. (H. B. Clarke), Manchester.  
 Broderick, D. J. (F. H. Walsh), Burnley.  
 Brookes, J. W. (V. T. Edmonds), London.  
 Brooks, T. C. (C. B. Cawthorne), London.  
 Brown, D. R. (J. A. Colvin), Liverpool.  
 Brown, R. E. (E. D. Cox), Birmingham.  
 Browning, F. G. (C. N. Smellie), London.  
 Browning, W. G. (W. E. Thompson), Manchester.  
 Broomhead, J. H. (E. Sugden), Leeds.  
 Bryant, E. M. (Miss), (L. A. Watson), London.  
 Buckingham, D. G. (E. T. Mackrill), Harrow.  
 Buckle, J. F. (S. G. Rowlandson), London.  
 Buckley, B. H. (J. W. Clement), London.  
 Bunt, B. S. (D. R. Clack), London.  
 Burchell, J. J. B. (S. Gura), London.  
 Burgon, C. B. (C. H. McKnight), London.  
 Burney, Z.-U.-H. (A. G. Williams), London.  
 Burrows, G. E. C. (S. E. Graves), Brighton.  
 Bush, J. G. (E. K. Wright), London.  
 Bushell, C. A. (C. J. Barlow), Liverpool.  
 Buxton, P. (N. A. Hemmingsfield), Sheffield.  
 Cadd, N. H. (J. K. Ashton), Chorley.  
 Cairns, M. A. (G. V. McFarland), Reading.  
 Cameron, A. J. (J. W. G. Mitchell), Bradford.  
 Cameron, B. K. (E. J. Stone), London.  
 Canneaux, A. B. (K. Mashford), Worthing.  
 Cantelo, A. E. (J. C. S. Edwards), London.  
 Capper, A. D. (C. McCaig), Liverpool.  
 Carew, J. S. G. (J. N. Davie), London.  
 Carpenter, P. J. (B. J. Ketchlee), London.  
 Carruthers, D. (O. J. Lowe), Leigh.  
 Carter, B. M. (Miss), (A. H. Marsden), Bristol.  
 Castley, D. R. (F. E. Webber), Worthing.  
 Cave, J. H. (M. S. Ell), Henley-on-Thames.  
 Cecil-Wright, J. A. (E. P. Q. Carter), Birmingham.  
 Ceeney, M. E. (J. S. Weyman), London.  
 Chadwick, P. I. (W. Whinnerah), Liverpool.  
 Chait, S. A. (G. G. Dickinson), Sheffield.  
 Chakko, P. F. (J. J. S. Reynolds), London.  
 Chamberlain, M. (C. R. Riddington), Leicester.  
 Chanter, D. J. (G. R. Mackay), London.  
 Chapman, B. D. (A. Barron), London.  
 Chapman, T. D. (S. Parkinson), Leicester.  
 Chapple, B. G. (W. A. Byars), London.  
 Chatterton, P. J. (D. T. Veale), Leeds.  
 Cheesebrough, F. W. (C. P. Barrowcliff), Middlesbrough.  
 Chesterfield, J. D. (W. R. T. Whatmore), London.  
 Chisholm, A. (J. Lundy), Sunderland.  
 Chisholm, D. A. (T. M. Pragnell), Nottingham.  
 Chitty, J. (T. Howorth), London. (*Frederick Whinney Prize (shared)*).  
 Christie, J. D. (C. E. Surman), London.  
 Church, K. V. (L. G. Gee), London.  
 Clark, R. E. A. (W. R. Yaxley), Wrexham.  
 Clarke, D. R. (J. W. Margetts), London.  
 Clarke, J. E. (E. J. H. Clarke), London. (*Plender Prize for the paper on Auditing*).  
 Clarke, J. N. (E. A. Radford), Woking.  
 Clifford, C. K. (S. K. Tubbs), London.  
 Cobden, R. C. (M. St. A. Moore), London.  
 Coker, R. (Miss), (F. J. Smith), London.  
 Colcombe, O. K. (L. W. Huggins), Gloucester.  
 Cole, D. F. (M. R. Davies), London.  
 Coles, B. E. (Miss), (J. C. Hounsfeld), London.  
 Collins, P. E. (H. J. Williams), London.  
 Collinson, R. I. (L. Rank), York.  
 Collyer, B. P. (R. Grimley), Nottingham.  
 Conyers, B. (W. S. Harrison), Dewsbury.  
 Cook, J. F. (K. R. Colman), London.  
 Cook, M. R. (R. Garner), Leicester.  
 Cooper, J. M. P. (K. S. Holman), London.  
 Cooper, L. T. E. (Miss), (P. J. Mortlock), Grays.  
 Cooper, M. J. (C. P. Twemlow), Crewe.  
 Cooper, P. E. (V. R. V. Cooper), London.  
 Cooper, R. (H. M. Thei), London.  
 Corley, A. H. T. (H. Dakin), Sheffield.  
 Cornfield, P. D. (A. W. Garnier), London.  
 Couse, P. E. (H. B. Cookson), Birmingham.  
 Coxe, C. A. M. (I. W. Fawcner), London.  
 Coxon, J. D. (T. H. Douglas), Sunderland.  
 Craggs, W. L. (H. Barnes), Sunderland.  
 Crammond, T. R. (G. H. Yarnell), Brighton.  
 Crane, R. A. (E. L. Crane), Dorking.  
 Crawley, D. C. (W. H. Gillings), Southend-on-Sea.  
 Crawshaw, R. H. (G. N. Hunter), Leeds.  
 Creed, J. M. (E. S. Browne), Liverpool.  
 Cresswell, R. A. (J. H. Bell), Manchester.  
 Crook, J. A. (S), London.  
 Croome, B. J. (C. S. Shaw), Birmingham.  
 Cropper, B. (N. G. Rees), Rochdale.  
 Crowhurst, E. W. (A. F. W. Keep), Reading.  
 Cunningham, G. (L. W. Free), Southend-on-Sea.  
 Cunningham, P. M. (R. E. Jones), Liverpool.  
 Cushnir, A. M. (P. Newman), London.  
 Cutting, D. R. (R. E. Osborne), London.  
 Dalby, J. C. (J. H. Mann), London.  
 Daniels, J. W. (W. R. Carter), Manchester.  
 Dann, A. M. H. (A. Myerson), Liverpool.  
 Davey, J. S. (A. A. F. Redwood), Bristol.  
 Davidson, G. (A. C. Dixon), Sunderland.  
 Davies, G. W. (Sir Harold Gillett), London.  
 Davies, J. P. (V. A. Tudball), London.  
 Davies, R. E. (H. S. Widgery), Hereford.  
 \*Davies, R. W. (S. A. Common), Newport, Mon.  
 Davis, H. I. (E. D. Cox), London.  
 Davis, W. E. (A. E. Hepburn), London.  
 Dawson, M. G. (C. J. K. Boyce), Guildford.  
 Day, G. (H. Wilkinson), Barnsley.  
 Deakin, B. (A. P. Humphries), London.  
 Delmege, A. D. (H. E. Marshall), Portsmouth.  
 Denham, A. C. (N. F. C. Willey), London.  
 Dennett, J. G. (G. P. Shepherd), London.  
 Derenberg, M. P. (G. S. Pitt), London.  
 De Silva, D. S. P. S. (E. D. Jehring), London.  
 Desmond, M. E. (Miss), (R. Richards), London.  
 Devey, J. M. (L. S. Deacon), Wolverhampton.  
 Dewhurst, R. F. J. (W. A. Tucker), London.  
 Docker, A. W. (A. G. Oliver), Birmingham.  
 Dodds, J. A. (A. R. Stacy), London.  
 Donald, W. P. (P. H. Dobson), Leeds.  
 Donert, P. S. (S. Prashker), London.  
 Dosser, B. (W. H. Green), Southampton.  
 Doughty, J. B. (H. E. Sheppard), London.  
 Drayson, D. G. (H. C. Smith), London.  
 Drew, G. C. (H. A. Benson), London.  
 Duke, S. T. (K. F. Paine), London.  
 Dunning, S. (A. H. Marsden), Bristol.  
 Ebenzer, J. E. (H. B. Marsden), London.  
 Edwards, B. H. (W. R. Young), Canterbury.  
 Edwards, R. N. (G. W. Percival), Birmingham.  
 Edwards, W. J. (W. F. Williams), Manchester.  
 Eggins, W. J. (W. C. Morgan), Plymouth.  
 Ellis, J. A. H. (H. B. Singer), Bridgend.  
 Ellis, J. H. (E. E. Wilding), London.  
 Ellison, R. B. (W. Lodge), Liverpool.  
 England, J. C. (D. N. Rosling), Huddersfield.

\* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Escudier, B. J. (V. Keen), London.  
 Evans, A. W. (J. D. Shepard), London.  
 Evans, K. R. (A. B. Snow), Stoke-on-Trent.  
 Evans, P. B. (R. H. Cromarty), Nottingham.  
 Everett, A. C. (A. H. Farquhar), London.  
 Everitt, R. M. (Miss), (A. L. Sandeman-Allen), Halesworth.

Fairbairn, J. S. (O. M. Lewin), London.  
 Fairhurst, D. J. (J. D. Tyrer), Wigan.  
 Falek, L. (C. Murray), London.  
 Faris, J. B. (C. Romer-Lee), London.  
 Farmery, D. C. E. (C. Nuttall), Blackpool.  
 Farquhar, I. E. M. (D. T. Veale), Leeds.  
 Farrar, N. A. (P. C. Cardno), Bradford.  
 Faulkner, J. A. (W. H. Blaxland), London.  
 Fawcett, B. H. (A. A. Beardsall), Grimsby.  
 Fawcett, W. T. (J. Forsyth), Sunderland.  
 Fearn, J. D. (A. N. Mills), Matlock.  
 Fee, A. J. (J. O. Knight), Nottingham.  
 Feldman, H. L. (J. H. Senior), London.  
 Fell, M. (D. T. Veale), Leeds.  
 Felton, A. P. (W. Cash), London.  
 Ferguson, G. T. (A. L. H. Ball), Bournemouth.  
 Ferguson, H. R. H. (W. P. Scowcroft), Liverpool.  
 Ferner, G. J. (F. K. Berry), Maidstone.  
 Fernando, D. L. (A. Cotton), London.  
 Fernihough, C. B. (J. G. Ash), London.  
 Field, P. R. (I. Cedar), London.  
 Fieldhouse, R. (J. W. A. Wilkinson), Lancaster.  
 Fine, A. G. (B. P. Gwyther), Cardiff.  
 Fisher, D. S. (L. H. Lesser), Southend-on-Sea.  
 Fitchett, K. G. W. (C. O. Crew), Birmingham.  
 Fletcher, D. R. (W. H. M. Isle), Bradford.  
 Fletcher, G. (T. S. Fletcher), Salisbury.  
 Fletcher, J. M. (L. W. Gatenby), London.  
 Flind, C. J. (R. Van Baars), London.  
 Flint, B. W. (A. G. Ray), Nottingham.  
 Foott, A. M. (N. J. B. Smith), Manchester.  
 Ford, A. F. (T. R. McBride), London.  
 Forster, A. J. (J. W. G. Cocke), London.  
 Forwood, P. L. (N. F. Norris), London.  
 Foster, A. (N. V. Robinson), Southampton.  
 Foster, J. H. B. (D. H. H. Meacock), London.  
 Fowler, I. R. (H. Greenwood), London.  
 Fowler, M. A. (P. G. Wenham), London.  
 Frame, D. W. (S. W. C. Sprunt), London.  
 Frank, C. M. (L. B. Wright), London.  
 Fraser, R. W. (S. W. Becker-Jones), London.  
 Freeda, R. (H. C. Rudolf), London.  
 Frewer, J. E. (F. M. Kellett), Newcastle upon Tyne.  
 Fryer, R. S. (F. W. Dadswell), London.

Galletly, J. M. (R. Philp), London.  
 Gallon, J. F. (N. A. Smith), Reading.  
 Gascoigne, P. G. (H. J. Armstrong), Newcastle upon Tyne.  
 Gearey, J. M. (C. B. Fytche), London.  
 George, D. F. M. (F. Coates), Burnley.  
 George, V. J. (L. J. Bentley), London.  
 Gibbs, D. C. (A. F. W. Keep), Reading.  
 Gilbey, A. (W. H. Shears), London.  
 Gillam, P. J. (A. R. Hills), Luton.  
 Gillott, A. H. (N. H. Stubbs), London.  
 Glenn, M. (W. G. J. Sales), London.  
 Glover, C. M. (D. F. Pratten), Swansea.  
 Glover, T. W. (K. J. d'A. Mason), Birmingham.  
 Goldsmith, W. K. (A. D. Wykes), London.  
 Gomersall, M. (W. Hope), Stockton-on-Tees.  
 Gordon, J. D. (A. T. Aspin), Liverpool.  
 Gordon, T. V. S. (L. W. Fanow), London.  
 Goss, K. K. (S), London.  
 Goswell, P. (H. M. Crawford), Colchester.  
 Grand, S. (K. J. Dessauer), London.  
 Grant, P. (A. T. Tull), London.  
 Gravelius, A. J. (P. H. Tyack), London.  
 Gray, A. (T. L. Smith), Newcastle upon Tyne.  
 Gray, P. G. W. (R. L. Owen), Bristol.  
 Greeley, P. W. (I. B. Glickman), London.  
 Green, M. (S), South Shields.  
 Green, N. T. (W. F. Gallaway), Manchester.  
 Greenberg, L. (D. Clayton), London.  
 Greenhalgh, W. M. (N. W. Murray), London.  
 Griffin, D. (N. J. B. Smith), Manchester.  
 Griffin, D. S. (G. H. Cobley), London.  
 Griffiths, B. L. (G. Withnall), Birmingham.

Griffiths, D. (J. J. Wale), Swansea.  
 Griffiths, L. G. (M. D. Pick), Retford.  
 Grocock, T. C. (A. M. Williams), Swansea.  
 Groom, C. J. (S. A. Mapus-Smith), King's Lynn.  
 Grover, K. (E. Harrop), London.  
 Gruselle, M. H. (A. J. Wheeler), Exeter.  
 Guest, T. R. G. (R. G. R. Sisson), Gt. Yarmouth.  
 Gutteridge, R. N. (R. H. Jenkins), London.

Hallam, G. W. (W. G. Fox), Leicester.  
 Halls, N. J. (W. V. Eggleton), Gloucester.  
 Hamilton, G. G. (A. A. Veasey), Leicester.  
 Hamnett, C. B. (T. C. Forster), Manchester.  
 Hampton, H. W. (A. L. Blower), Wolverhampton.  
 Hann, A. H. (J. M. Pinder), Epsom.  
 Hansom, T. R. (G. C. Calder), London.  
 Harbottle, P. R. M. (R. P. Winter), Newcastle upon Tyne.  
 Harbours, R. J. (H. A. Hutchins), London.  
 Harding, N. J. (R. N. D. Langdon), London.  
 Harding, S. B. (D. W. Carlisle), London.  
 Harfield, F. (D. J. Gulliford), Portsmouth.  
 Harkey, T. R. G. (R. G. Pegler), London.  
 Harper, L. H. (D. J. Ginnings), London.  
 Harries, J. M. (D. F. Pratten), Swansea.  
 Harris, C. J. (W. G. A. Russell), Birmingham.  
 Harris, J. L. (E. R. Nicholson), London.  
 Harris, J. M. (C. Wallis), London.  
 Harris, J. R. (G. R. Fry), London.  
 Harrison, A. (A. R. Holden), Manchester.  
 Harrison, A. (J. W. Bootman), Blackburn.  
 Hart, G. C. (G. D. Lane), Folkestone.  
 Hart, R. J. M. (J. B. Nicholson), High Wycombe.  
 Hartley, G. B. H. (S. J. Orman), Bristol.  
 Hass, S. (R. D. Taylor), London.  
 Hatherall, A. J. (G. Stalker), Newcastle upon Tyne.  
 Havens, D. E. (P. J. Brennan), London.  
 Haydon, D. H. (W. B. Paton), London.  
 Hayward, A. D. (F. H. G. Tompkins), London.  
 Henderson, J. E. (J. N. Bullivant), Manchester.  
 Henley, B. (H. Stewart), Sunderland.  
 Herbert, B. C. (E. D. Miller), London.  
 Herries, R. A. (R. Watson), Liverpool.  
 Herron, A. G. (C. B. Sebire), London.  
 Hew, G. W. (H. G. C. Haering), London.  
 Hewitt, B. M. (J. F. Holroyd), Liverpool.  
 Higham, P. (R. K. Fairbrother), London.  
 Hill, B. L. (R. A. Penney), London.  
 Hill, D. B. (A. E. M. Harbottle), Bristol.  
 Hill, R. C. (W. C. Kyle), Carlisle.  
 Hilliard, R. P. (F. Woods), London.  
 Hilton, C. R. (R. Dunn), Leicester.  
 Hindle, T. C. (J. L. Simpson), Kingston upon Thames.  
 Hine, R. L. (P. Lawrence), Tunbridge Wells.  
 Hitchen, G. (V. Allison), Halifax.  
 Hitchener, W. D. (D. W. Hobbs), Bradford.  
 Hodgson, C. (C. R. Booth), Bradford.  
 Hodgson, G. W. (F. B. Leithead), Sunderland.  
 Hodgson, J. D. (P. A. H. Bromwich), Market Harborough.  
 Hogarth, R. T. (H. N. Fairhead), Gt. Yarmouth.  
 Holland, C. G. (R. Law), Liverpool.  
 Holmes, P. L. R. (T. D. Jenkins), London.  
 Holmes, R. (T. H. Douglas), Sunderland.  
 Honey, M. D. (Miss), (C. E. G. White), Southend-on-Sea.  
 Hoole, D. (J. K. Patrick), Sheffield.  
 Hopkins, R. D. (L. P. Gibbs), London.  
 Horn, P. J. (A. Gregg), Manchester.  
 Horwood, I. A. (S), London.  
 Hosier, D. J. (M. H. C. Tarrant), London.  
 Hough, F. J. (T. Leake), Wigan.  
 Hoult, E. W. (J. A. Crisp), Newcastle upon Tyne.  
 Howard, D. J. (F. E. Antill), London.  
 Howard, G. A. (R. McNeil), Brighton.  
 Howard, P. A. (H. S. Dunk), Dartford.  
 Howell, S. R. (M. S. Bradford), London.  
 Howes, R. J. (P. T. Comber), London.  
 Howlett, R. (C. W. Smith), Ipswich.  
 Howlison, J. C. (J. H. Nixon), Manchester.  
 Howorth, H. (G. W. Jackson), Manchester.  
 Howson, C. (A. C. H. King), London.  
 Hubbard, R. M. (D. I. Brannan), London.  
 Hughes, D. R. (J. E. Evans), Chester.  
 Hughes, M. H. (S. Chater), Cardiff.  
 Hull, P. C. (F. T. Slade), Birmingham.  
 Humphrey, J. C. (G. Place), East Grinstead.

\* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Humphreys, P. T. (R. H. Martin), Cardiff.  
Hunt, P. T. (A. N. D. Smith), London.  
Hutton, D. S. D. (D. H. Pratt), London.

I'Anson, P. (T. Thornton), Burnley.  
Isley, M. (G. C. Peat), London.  
Ind, R. C. (T. R. Cubitt), London.  
Ingham, R. W. (T. Jackson), Batley.  
Inglis, R. S. (J. A. Greenacre), Birmingham.  
Inkpen, J. M. (H. F. Inkpen), Twickenham.  
Innes, J. B. (Sir Richard Yeabley), London.  
Irons, S. L. (C. H. I. Chown), Ilford.  
Irvine, I. A. N. (H. J. Wells), London.  
Isaacs, B. E. (D. N. Curitz), Cardiff.  
Israel, N. V. (L. H. Fink), London.  
Iverson, R. M. (W. M. Ogle), London.

Jackson, E. P. (T. H. Sutton), Southport.  
Jacobs, L. H. (J. Ross), Manchester.  
James, H. M. C. (C. D. Smith), London.  
James, N. C. (S. S. Morton), London.  
James, P. B. (P. J. Digby), London.  
James, P. L. (A. N. Hollis), London.  
Jamieson, J. D. (C. Thornton), Preston.  
Jay, M. P. J. (G. E. Morrish), London.  
Jayakar, J. A. V. W. (S. E. Clark), Oxford.  
Jenkins, F. C. (R. H. Jenkins), London.  
Jennings, R. L. (S), London.  
Jeuda, B. S. (J. H. Wilkinson), Manchester.  
Jiggins, G. A. W. (W. J. Germing), London.  
John, I. D. (S), Ceylon.  
Johnson, D. R. (A. E. S. H. Walter), Leicester.  
Johnson, I. S. (F. T. Wright), London.  
Jones, C. D. (D. G. Weston), London.  
Jones, C. P. (H. W. Norman), London.  
Jones, D. (B. D. Winters), London.  
Jones, M. D. (H. Hockaday), Liverpool.  
Jones, V. B. (E. Lord), Birmingham.

Kemp, J. S. (W. A. Snowden), Hull.  
Kent, R. V. (F. G. Rollason), London.  
Kershen, M. B. (S. Kershaw), London.  
Kettle, M. J. O. (E. C. Coleman), London.  
Khakhria, V. K. (W. H. Johnstone), London.  
Kinchuck, S. M. (W. J. Leeming), London.  
King, D. M. D. (B. H. Larkins), Birmingham.  
King, G. E. (T. M. Pragnell), Nottingham.  
King, W. P. (R. A. Chermide), Bristol.  
Kirk, G. S. (C. Ellice), London.  
Kirk, M. D. (M. Wells), Leicester.  
Kirkland, C. W. (M. W. A. Jacobs), Ryde.  
Knepler, G. H. (R. A. Barsham), London.  
Knibb, R. D. (G. E. Millson), London.  
Knight, P. J. (E. H. Wingfield), London.  
Knight, R. J. (A. L. Peatman), Northampton.  
Korwaser, M. H. A. (M. Benjamin), London.  
Kyle, C. D. (H. Murray), Newcastle upon Tyne.

\*Lacey, P. W. (O. S. Francis), Reading.  
Laddin, P. (H. C. Cox), Manchester.  
Lam, C. H. (L. Scott), London.  
Lane, P. (N. J. Millard), London.  
Langford, F. (H. L. Bangham), Swansea.  
Laurie, A. H. (J. Radstone), London. (*Plender Prize for the paper on Advanced Accounting (Part I).*)  
Lee, G. (E. M. Haslam), Bolton.  
Leeke, J. H. D. (J. R. C. Weber), Cardiff.  
Lees, L. H. (H. J. Burgess-Parker), Bristol.  
Leggott, J. E. (L. Hickson), Hull.  
Leibert, I. M. (S. M. Marks), London.  
Lester, L. (G. P. Walmsley), Hinckley.  
Levy, M. (G. F. Schofield), Manchester.  
Lewis, J. R. (L. R. Lewis), Luton.  
Lindsay, H. J. A. (J. F. T. Nangle), London.  
Linnell, C. (H. Gompertz), Birmingham.  
Lloyd, B. C. (W. H. Westhead), Stafford.  
Lloyd-Simpson, K. N. (S. A. Lloyd), London.  
Lockyer, B. F. (R. E. Wagstaff), Birmingham.  
Long, P. D. (M. G. English), Fakenham.  
Low, H. E. (G. G. Youngs), Norwich.  
Loy, C. J. (E. C. Turner), Birmingham.  
Luck, R. V. E. (J. R. Pullan), London.  
Lumb, F. G. (E. Corscadden), Wakefield.  
Lyle, R. B. (C. A. Solly), London.

McCabe, J. E. (J. G. Sankey), Manchester.  
McGuchan, P. J. (N. H. Stubbs), London.  
MacHardy, I. C. (E. N. C. Hewens), London.  
MacKinnon, M. R. (L. A. Anderson), London.  
McMahon, P. (F. D. Marshall), Manchester.  
McMullen, T. M. (J. A. Hartley), Leeds.  
Madeley, J. R. Y. (H. M. Madeley), Birmingham.  
Majid, F. (M. D. Kruger), London.  
Malik, A. A. (L. H. Salter), London.  
Mallett, E. C. (J. D. Simpson), Cardiff.  
Malton, P. R. (F. C. Holliday), Leeds.  
Mann, A. S. T. (A. J. M. Roberts), London.  
Mann, T. M. (R. Mann), Hexham.  
Manning, K. (H. M. Westcott), London.  
Mansfield, G. E. (H. T. C. Reid), London.  
\*Marshall, N. F. (S. Fawcett), Salisbury.  
Martin, J. W. H. (J. G. S. Longcroft), London.  
Mason, A. (Miss), (P. J. Madge), Southampton.  
Massoud, L. M. (W. L. Brown), Birmingham.  
Maton, M. G. (E. B. Westwood), Birmingham.  
Matthews, D. G. (K. C. Makinson), Burton-on-Trent.  
May, A. J. (W. L. Solon), Worcester.  
Mayers, P. C. (V. A. Tudball), London.  
Maykels, I. B. (D. A. W. Hamilton), Bexhill-on-Sea.  
Maynard, B. A. F. (C. D. Anderson), Cheltenham.  
Mells, R. A. (J. Morris), Oldbury.  
Mendoza, M. B. (E. L. Langton), London.  
Meredith, A. (P. E. Littlemore), Manchester.  
Metcalfe, D. R. (T. B. Blackburn), London.  
Metcalfe, R. (T. S. Rawlinson), Bradford.  
Mills, D. G. (J. P. Moll), London.  
Miln, J. K. (R. L. Emmitt), Sheffield.  
Mittal, D. P. (N. W. Newman), London.  
Mohamad, S. H. S. (D. A. Boothman), Manchester.  
Montgomery, I. J. (R. W. Rodwell), Leicester.  
Montgomery, R. A. (S. V. P. Cornwell), Bristol.  
Moore, P. G. (A. L. Rowell), Bristol.  
Moore, P. G. (H. J. R. Roffe), London.  
Morgan, M. (S), Southampton.  
Moritz, B. M. (L. W. Moritz), London.  
Morpeth, R. S. (A. R. Glenton), Newcastle upon Tyne.  
Morris, G. B. (E. D. Mole), Taunton.  
Morriss, J. R. (C. W. Raw), London.  
Mosley, D. (W. L. Dunn), Nottingham.  
Moss, J. W. (W. E. Thompson), Manchester.  
Mottram, H. E. (E. S. Foden), Cardiff.  
Murdoch, R. A. (J. Perfect), London.  
Murray, A. R. (Sir Harold Howitt), London.  
Mutkin, H. G. (C. Mettiss), London.

Nahon, L. R. (C. A. Solly), London.  
Nahoum, M. E. (I. G. de Mesquita), London.  
Needham, T. A. (P. J. L. Case), Watford.  
Nelkon, A. P. (F. L. Webb), London.  
Newland, O. W. (D. J. Kean), London.  
Newman, M. J. G. (W. L. Norman), London.  
Newton, J. (M. H. Fielding), Leicester.  
Newton, I. D. (H. S. Stafford), Manchester.  
Nichols, W. P. (N. G. Webber), Exeter.  
Noël, F. J. A. (R. F. Sumner), London.  
Norman, G. (E. J. Humphries), Bath.  
Norris, R. G. (T. L. Mooyaart), London.  
Northam, P. L. (Miss), (C. Romer-Lee), London.  
Northedge, D. J. (E. J. G. Wooding), Birmingham.  
Nessek, G. N. (M. H. Leighton), London.

Oliver, C. A. (F. Warren), Camborne.  
Over, R. J. (J. R. Tovey), Reading.  
Oyler, E. J. W. (D. A. Clarke), London.

Page, M. W. (J. S. Hillyer), London.  
Paine, R. E. D. (P. Foster), London.  
Parker, K. V. (S), London.  
Parkhurst, A. G. (F. H. C. Casbourn), Plymouth.  
Parriss, T. R. (K. J. Fuller), Bletchley.  
Parrott, J. S. (F. W. English), London.  
Parry, M. W. (T. Hughes), Llanrwst.  
Parry, T. E. (J. Portergill), Banbury.  
Partington, I. (D. T. Veale), Leeds.  
Passenger, R. E. (A. Birch), London.  
Payne, D. R. (H. A. Kinney), Brighton. (*Plender Prize for the paper on Advanced Accounting (Part II).*)  
Pearce, G. N. (J. A. Owers), London.  
Pearce, M. J. (G. J. Pollard), Taunton.

\* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

- Pearson, G. A. (W. H. Fox), Northampton.  
 Peart, D. (A. Ball), Manchester.  
 Peel, M. C. (A. B. Sandal), March.  
 Penn, E. A. (S. V. Mann), Coventry.  
 Pepper, T. R. (H. M. Pepper), Walsall.  
 Phillips, C. H. (H. T. Wickham), Falmouth.  
 Phillips, I. (N. G. Phillips), London.  
 Phua, T. S. L. (A. T. Burn), Worthing.  
 Pickering, G. N. (E. R. Hogg), London.  
 Pikis, A. M. (B. C. Neal), London.  
 Pilkington, R. V. (J. Redshaw), Leeds.  
 Pilling, J. D. C. (H. Crawshaw), Accrington.  
 Pitt, W. H. (R. H. Ford), Ashford, Kent.  
 Platt, J. C. (A. E. Norfolk), Hull.  
 Plews, T. E. (F. D. M. Lowry), Liverpool.  
 Plummer, R. A. (G. S. Crookes), London.  
 Plumridge, B. H. (J. R. Antoine), High Wycombe.  
 Pomeroy, J. V. (J. B. Worley), London.  
 Poole-Connor, M. (R. W. Lambeth), London.  
 Poopalasingham, R. (R. W. Barrow), London.  
 Pope, M. F. (J. H. B. Young), Canterbury. (*Frederick Whinney Prize (shared).*)  
 Porter, R. S. (R. H. Jarritt), Bristol.  
 Powles, D. J. (E. W. Evans), Coventry.  
 Powley, B. A. (H. N. Fairhead), Gt. Yarmouth.  
 Price, F. E. (A. S. Maddison), Birmingham.  
 Price, H. G. (G. A. Windsor), Leeds.  
 Price, N. S. (S.), London.  
 Price, R. G. (F. B. Linnett), London.  
 Prichard, J. R. (W. G. Jones), Llanelly.  
 Pring, M. J. (M. Sheppard), Sheffield.  
 Pryke, C. W. (K. P. B. Hovey), London.  
 Prytz, M. H. (F. M. Hall), London.  
 Purcell, J. (S.), Leeds.  
 Pyne, F. G. (J. S. H. Vine), London.
- Quail, R. J. (Miss), (T. B. Quail), Nottingham.  
 Quraeshi, S. (H. Webber), London.
- Raby, P. (G. H. Scott), Leeds.  
 Rackstraw, C. A. (D. O. Johnston), London.  
 Radford, H. J.-F. (R. F. Crow), Southampton.  
 Ramage, D. A. (J. R. Train), London.  
 Ramsay, A. E. (S.), Liverpool.  
 Randall, J. G. (F. Collis), London.  
 Ray, S. P. (H. C. Allen), London.  
 Redshaw, C. (A. C. H. King), London.  
 Reed, H. E. L. (C. T. Ayles), Sunderland.  
 Reed, M. D. (formerly with B. J. Davis, deceased), London.  
 Reeder, J. P. (E. J. R. May), London.  
 Reeves, D. B. (S. Schwartz), London.  
 Reid, W. (J. N. Prentice), London.  
 Rendell, P. E. (E. L. Crane), Leatherhead.  
 Rengert, C. (H. E. Hassell), London.  
 Renham, C. (E. R. Nicholson), London.  
 Renwick, G. O. N. (W. G. Payne), London.  
 Reynolds, H. R. A. (T. L. Plewman), Leicester.  
 Rhead, D. M. (K. Hayes), Birmingham.  
 Rich, E. A. (R. P. Hedley), London.  
 \*Richards, I. B. (N. W. Newman), London.  
 Richards, W. S. C. (R. W. C. Dunn), Birmingham.  
 Richardson, B. E. (F. H. G. Tompkins), London.  
 Richardson, K. S. (E. T. Wilson), Gateshead.  
 Riley, J. C. W. (B. A. Maynard), London.  
 Rind, M. S. (H. Gould), London.  
 Risdon, R. E. R. (B. J. Ketchlee), London.  
 Roberts, D. G. (H. C. Hopkin), Cardiff.  
 Roberts, P. M. (W. N. Crebbin), London.  
 Robinson, A. E. S. (O. R. K. Barnett), Andover.  
 Robinson, D. A. (C. C. Bullock), Stoke-on-Trent.  
 Robinson, P. (F. Hyatt), Sheffield.  
 Robinson, T. (E. R. White), South Shields.  
 Romer, A. J. (C. K. Frost), Leeds.  
 Root, N. D. (J. T. Isherwood), London.  
 Roper, A. D. (R. H. Cave), London.  
 Rorison, D. J. G. (M. E. Smith), London.  
 Ross, M. L. (H. H. Holdsworth), Leeds.  
 Round, J. (A. E. Flux), Derby.  
 Rowley, R. P. (formerly with M. D. Wilkie, deceased), Wolverhampton.  
 Roy, K. P. (L. W. Glyde), London.  
 Rubin, L. R. (I. B. Glickman), London.  
 Rushton, T. P. (H. A. Decker), London.  
 Ryder, G. I. (A. Neil), Manchester.
- Saba, M. E. S. (L. A. Anderson), London.  
 Saha, M. L. (S. Sherwood), Croydon.  
 Sampson, P. V. (H. Squires), Dewsbury.  
 Samuel, J. A. T. (F. A. Harris), London.  
 Sargent, C. J. (G. W. H. Palmer), Hull.  
 Sargon, A. F. J. (J. Auerbach), London.  
 Sarkar, D. N. (F. R. Terras), Manchester.  
 Satchell, J. H. (R. P. Chambers), London.  
 Satterthwaite, G. R. (S. Morris), Liverpool.  
 Saunderson, C. M. (J. Pitchers), London.  
 Scorey, D. (S. Cooke), Fareham.  
 Scott, J. R. (R. E. Bolton), Newcastle upon Tyne.  
 Screen, M. R. W. (P. M. Lowick), Bristol.  
 Selby, H. (H. C. Rudolf), London.  
 Sell, A. (H. E. Marshall), Portsmouth.  
 Seydoux, H. G. P. M. (L. A. Hall), London.  
 Shah, S. K. (R. M. Stewart), Enfield.  
 Sharpe, R. B. (D. H. Whinney), London.  
 Sharples, D. D. (H. A. Beale), London.  
 Shaw, C. M. (R. F. Cox), London.  
 Shawcross, R. E. N. (C. P. Barrowcliff), Middlesbrough.  
 Shealer, J. M. (Miss), A. J. Anderson, Birmingham.  
 Sheena, A. A. (M. Apple), London.  
 Shepard, J. A. (H. Evans), London.  
 Sheppard, K. J. (A. N. Chapman), London.  
 Shires, D. (J. W. Thompson), Keighley.  
 Siddall, M. E. (J. N. B. Millican), London.  
 Sievers, F. R. (G. Carew-Jones), London.  
 Silas, C. F. (L. Irvine), London.  
 Silver, S. B. (H. L. Brown), London.  
 Silverman, B. G. (H. H. Marks), London.  
 Silverman, S. C. (B. M. Rothmer), Manchester.  
 Simmons, B. E. (G. G. Simmons), Redhill.  
 Simpson, F. D. (J. W. Pickles), Selby.  
 Sinodourou, S. G. (P. H. Champness), London.  
 Sitch, D. C. (W. N. Andrews), London.  
 Smelt, P. A. (D. B. Simpson), Huddersfield.  
 Smith, A. M. (H. J. Gittings), Cheltenham.  
 Smith, A. S. (G. C. Millichamp), Wolverhampton.  
 Smith, D. M. (A. H. Smith), Spalding.  
 Smith, D. N. (M. H. Green), Southampton.  
 Smith, G. (A. S. Rigby), Chorley.  
 Smith, H. J. (P. T. G. Snuggs), Bournemouth.  
 Smith, J. A. (J. E. Critchley), Oxford.  
 Smith, J. D. (E. G. Bresnan), Liverpool.  
 Smith, M. J. (R. H. Gibson), Barnsley.  
 Smith, N. L. K. (G. W. Hunt), London.  
 Smith, P. D. (C. H. Smith), London.  
 Smith, P. N. (G. E. Morrish), London.  
 Smith, R. H. (W. E. Thompson), Manchester.  
 Smith, T. (J. H. Worsley), Burnley.  
 Smith, T. A. (A. J. Fullerton), Leeds.  
 Snape, J. W. G. (F. W. Nicholls), Shrewsbury.  
 Sogunro, F. O. (J. B. Bland), Ilford.  
 Soughton, J. E. (J. C. Heath), London.  
 Sparkes, J. L. (E. A. Bland), Colchester.  
 Spencer, R. G. (S. B. Smith), Liverpool.  
 Stairs, B. T. L. (B. Browne), Luton.  
 Standing, R. E. (J. G. S. Longcroft), London.  
 Starmer, R. J. (L. E. Stewart), Northampton.  
 Stevens, P. R. (J. T. Corbett), London.  
 Stevenson, D. J. (M. E. King), Manchester.  
 Stichbury, R. C. (P. Robinson), London.  
 Stone, P. C. (W. W. Bigg), London.  
 Stone, R. (C. R. Ravensdale), Derby.  
 Stormouth, I. H. (J. H. Marshall), Thame.  
 Stott, J. A. (G. S. Norris), Manchester.  
 Subramaniam, R. (H. J. Waugh), Hereford.  
 Suggett, R. (A. A. Duffin), Nottingham.  
 Svendsen, J. H. (A. M. Bond), London.  
 Swann, A. (E. W. G. Joicey-Cecil), London.  
 Swatman, D. J. (W. P. Gill), Lowestoft.  
 Swinnerton, P. R. (G. E. Goodchild), Ipswich.
- Taiabjee, A. A. (W. R. Holde), Hull.  
 Tait, W. (D. E. Heron), Workington.  
 Tatham, R. G. (F. B. Proctor), London.  
 Taverner, J. E. (D. R. Andrew), Malvern.  
 Taylor, A. J. de L. (K. W. Oxley), Bradford.  
 Taylor, A. M. (S. J. Drakely), Nuneaton.  
 Taylor, B. J. (A. E. Day), Harrow.  
 Taylor, B. W. (W. F. Galloway), Manchester.  
 Taylor, E. W. (J. D. M. Ellis), Pontefract.  
 Taylor, J. M. (L. D. Harrison), Oldham.

\* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.



Taylor, M. J. G. (B. M. Frazer), Liverpool.  
 Tellis, R. I. S. (A. Fisher), London.  
 Tetley, B. (G. Ingham), Bradford.  
 Thesiger, M. E. (M. Shirley Beavan), London.  
 Thomas, B. P. (T. A. Cotterill), Birmingham.  
 Thomas, C. C. (W. Wild), Manchester.  
 Thomas, D. L. (J. J. Wale), Swansea.  
 Thomas, D. L. G. (D. L. Pritchard), Carmarthen.  
 Thomas, G. G. L. (A. C. Evans), Swansea.  
 Thomas, M. W. (B. Jones), Bridgend.  
 Thompson, F. (J. I. Forster), Keswick.  
 Thomson, D. G. (R. R. Pickering), London.  
 Thornton, D. I. (W. S. Harrison), Dewsbury.  
 Thorogood, F. A. (B. Garbacz), London.  
 Thurlow, D. J. (D. G. Gordon), Bournemouth.  
 Tickett, J. (G. W. Maylam), London.  
 Tidy, A. D. G. (R. F. George), London.  
 Till, I. J. (J. D. Clark), London.  
 Tillett, P. G. F. (S. A. Letts), London.  
 Tipper, W. H. (K. C. Makinson), Burton-on-Trent.  
 Tope, E. V. (A. L. Goodman), Plymouth.  
 Towndrow, R. W. (R. C. Scrimshaw), Chesterfield.  
 Townrow, R. (L. Booth), Witney.  
 Townsend, P. H. (N. W. Smith), Carshalton Beeches.  
 Toze, R. A. (J. M. West), Tiverton.  
 Traynor, J. (S. P. Heath), Manchester.  
 Tree, N. (E. S. Fox), London.  
 Tucker, K. A. (G. E. Tutte), Bournemouth.  
 Tun-Tin, M. (A. G. Hill), London.  
 Turner, I. R. (N. H. Pattison), Newcastle upon Tyne.  
 Turton, R. C. (C. E. Turton), Nottingham.  
 Twigg, M. D. (J. M. Grosse), Sheffield.  
 Tyers, R. J. (T. A. H. Baynes), Birmingham.  
 Tyrls, M. (L. S. Deacon), Wolverhampton.  
 Tytheridge, G. J. (F. Warren), Camborne.

Valentine, D. G. (S), London.  
 Vann, D. C. (C. A. Smith), Loughborough.

Wadsworth, B. D. (P. Williams), Huddersfield.  
 Walk, D. R. (G. W. Percival), Birmingham.  
 Walker, J. M. (T. D. C. Taft), Nottingham.  
 Wall, B. (J. F. Britton), Nottingham.  
 Walsh, L. J. (Pollard), Accrington.  
 Ward, B. (J. L. Wells), Kettering.  
 Ward, D. J. (B. C. Godfrey), Luton.

Ward, J. M. (E. G. Chadwick), Hull.  
 Ward, K. E. (J. A. Baker), Bournemouth.  
 Ward, N. R. (G. M. Harrison), Horsham.  
 Warren, G. (D. J. Brass), London.  
 Wates, H. R. (S. W. Penwill), London.  
 Watkins, B. J. (L. M. G. Harris), London.  
 Weatherall, A. D. (J. H. Mann), London.  
 Webb, B. M. (Miss), (C. C. Hayman), London.  
 Webb, M. C. (W. F. Masters), London.  
 Webster, J. W. (W. J. Brereton), London.  
 Webster, R. S. (K. R. Mackenzie), Liverpool.  
 Weerasinghe, R. A. (W. G. Brookes), London.  
 Weigh, P. L. (F. Williams), Liverpool.  
 Weller, J. N. (S. T. Farmiloe), Birmingham.  
 Welling, R. P. (H. A. Esden), London.  
 West, J. F. M. (G. W. Wood), Manchester.  
 Wetherell, L. (A. V. Hedges), Burnley.  
 Whatmoor, P. H. (L. H. Clark), London.  
 Wheeler, M. G. (J. W. Clement), London.  
 Wheeler, M. J. (T. D. Jenkins), London.  
 Whichelow, R. A. (R. B. Hill), London.  
 Whiting, L. G. (W. A. Waller), Southend-on-Sea.  
 Wiener, E. A. J. (C. E. M. Emmerson), London.  
 Wilcock, D. (A. C. Blake), London.  
 Wild, J. (J. M. Stanley), Leeds.  
 Williams, D. I. (A. I. G. White), Newcastle upon Tyne.  
 Williams, D. S. (W. E. Ogden), London.  
 Williams, E. G. (H. R. Jackson), Chester.  
 Williams, H. E. (T. D. Jenkins), London.  
 Williams, R. C. (F. G. F. Drake), Bridgwater.  
 Williamson, A. G. C. (W. M. H. Nash), Weston-super-Mare.  
 Wilson, J. A. (D. F. Wadge), Newcastle upon Tyne.  
 Wilson, R. (H. J. Gittos), Birmingham.  
 Winks, D. J. F. (W. A. Clubb), Cardiff.  
 Winter, P. W. (F. L. K. Crowe), Weston-super-Mare.  
 Wiseman, J. N. (N. Wiseman), Blackpool.  
 Wood, G. R. (R. F. Prior), Nottingham.  
 Wood, S. F. (G. W. Burgess), London.  
 Woodfield, J. Z. (Miss), (H. J. R. Ledsam), Birmingham.  
 Woolhouse, T. H. L. (G. F. Davies), London.  
 Wordingham, D. H. (F. R. Ince), London.  
 Worrall, D. (J. A. Shires), Leeds.  
 Wren, J. R. C. (J. E. Williams), London.

\*Yale, M. A. (Miss), (T. Taylor), Llandudno.  
 Youle, E. R. G. (L. J. Cocke), London.  
 Young, D. T. (L. T. Eyles), London.

*The O. C. Railton Prize for the year 1960*  
 Carsberg, Bryan Victor (C. A. Chapman), London.

**797 Candidates passed.**

**807 Candidates failed.**

## INTERMEDIATE EXAMINATION

*Held on November 22nd, 23rd and 24th, 1960*

### Certificates of Merit with Prizes Awarded

*First Certificate of Merit, the Institute Prize, the Stephens Prize, the Frederick Whinney Prize and the Plender Prize for the paper on Book-keeping and Accounts (Partnership)*

Chadder, Roger Vivyan James (R. G. Leach), London.

*Second Certificate of Merit and the Tom Walton Prize*

Clemence, John Alistair (J. F. Grande), London.

*Third Certificate of Merit*

Morris, David Edward Alban (H. Peat), London.

*Fourth Certificate of Merit and the Flight Lieutenant Dudley Hewitt, D.F.C. Prize*

Gore, Michael Balfour Gruberg (L. Pells), London.

*Fifth Certificate of Merit*

French, Leslie Eric (G. H. B. Rowlinson), Cambridge.

*Sixth Certificate of Merit*

Fox, Michael Adrian (R. W. Gorman), London.

*Seventh Certificate of Merit*

Fox, Howard (V. Walton), Leeds.  
 Youngman, Colin Michael (A. L. Sandeman-Allen), Halesworth.

*Ninth Certificate of Merit*

Da Vall, Anthony John (S), Brighton.

\* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

*Tenth Certificate of Merit*

Harley, Stanley Martin (W. R. Heatley), Coventry.

*Eleventh Certificate of Merit*

Martin, Patrick Noel (F. D. Jeffries), Walsall.

*Twelfth Certificate of Merit*Carter, Alan Samuel (J. M. Harvey), Liverpool.  
Maughfling, David John (H. K. G. Martyn), Truro.*Fourteenth Certificate of Merit and the Plender Prize for the paper on Taxation and Cost Accounting*  
Bessant, Ronald George (W. H. Davies), Cardiff.*Fourteenth Certificate of Merit*

Stern, Michael Charles (S. J. Bressloff), London.

*Sixteenth Certificate of Merit and the Plender Prize for the paper on General Commercial Knowledge*  
Pink, Martin (E. D. Q. D'Alton), London.*Seventeenth Certificate of Merit*Cannell, Michael Dan Harry (S), Norwich.  
Mordy, William Henry John (A. V. Flather), Bradford.*Nineteenth Certificate of Merit*Julien, Michael Frederick (E. D. McMillan), London.  
Tomlinson, Robert Sykes (K. L. Young), London.*Twenty-first Certificate of Merit*Caldwell, Wilfred Moores (W. E. Parker), London.  
Jackman, Christopher John (R. T. Bucknill), London.  
Upshall, John (C. C. H. Burnage), London.*Twenty-fourth Certificate of Merit*

Breakwell, Anthony (I. O. MacLeod), Birmingham.

*Twenty-fifth Certificate of Merit*

Kariya, Niranjan Jivraj (D. Clayton), London.

*Twenty-sixth Certificate of Merit and the Plender Prize for the paper on Book-keeping and Accounts (Executorship)*  
Smith, Roger Newnes (R. A. C. Norris-Jones), London.*Twenty-seventh Certificate of Merit*Pilgrem, Colin Howard (H. E. Hard), Southend-on-Sea.  
Thomas, Andrew Gerald (S. C. Thomas), Liverpool.**Full List of Names of Successful Candidates**

(in alphabetical order)

- Abbott, K. R. McF. (E. C. Howie), Newcastle upon Tyne.  
 Adams, R. J. (D. F. Hopkinson), Birmingham.  
 Agar, R. (Miss), (C. Gee), London.  
 Airey, E. J. (J. Longthorn), Blackburn.  
 Akeroyd, D. E. G. (C. E. Akeroyd), Nottingham.  
 Ali, A. (M. Bennett), London.  
 Allen, A. J. (L. J. Ive), London.  
 Allen, J. D. (S), London.  
 Allen, J. H. (J. Wilson), Elland.  
 Allen, P. M. (A. C. Unthank), London.  
 Allen, S. A. (A. R. H. Mullett), West Bromwich.  
 Alliban, R. D. (J. Codling), Beaconsfield.  
 Anderson, A. L. (M. A. Green), Horsham.  
 Anderson, R. K. (F. W. Charles), London.  
 Anderson, S. N. (R. Philp), London.  
 Andrews, I. A. (G. E. Radford), Southampton.  
 Anning, D. C. (A. F. Thompson), Broadstairs.  
 Arch, K. (W. L. Dominy), Cambridge.  
 Arculus, R. G. (P. F. Allday), London.  
 Armitage, R. G. (C. G. Heselt), York.  
 Armstrong, R. D. (E. R. Nicholson), London.  
 Askew, A. E. (J. G. W. Cuthbert), London.  
 Atkins, M. K. (K. P. Ney), London.  
 Audae, R. A. (W. E. Wilson), Leeds.  
 Aukland, D. (J. A. Robinson), St Helens.  
 Austin, M. (O. R. K. Barnett), Andover.  
 Aw, F. C. (G. M. Maurice), London.
- Baakza, A. M. (S. Lipman), London.  
 Backhouse, R. J. (R. F. Gould), Derby.  
 Bailey, J. R. (E. C. Smith), Manchester.  
 Baker, A. R. A. (A. H. Kirkman), Oxford.  
 Baldacchino, R. (H. A. Binding), Poole.  
 Baldwin, J. F. (E. J. Garner), Nuneaton.  
 Baldwin, J. H. E. (J. E. Scheerer), Leeds.  
 Balshaw, R. T. (J. Palmer), Hull.
- Bannister, H. M. (Miss) (H. M. Pepper), Walsall.  
 Barker, G. C. (R. Oldroyd), Leeds.  
 Barker, P. H. S. (G. L. Aspell), Leicester.  
 Barnard, M. J. (W. P. Gill), Lowestoft.  
 Barnett, K. M. (D. J. Duthie), London.  
 Barrand, R. W. (C. A. Solly), London.  
 Barrett, R. (R. Pugh), Keighley.  
 Barron, M. S. (J. C. J. Clark), Hove.  
 Bassey, E. U. (E. B. Langford), Portsmouth.  
 Basu, S. C. (S), Calcutta.  
 Bates, G. J. B. (K. A. Millichap), Manchester.  
 Bates, R. J. (C. N. Smellie), London.  
 Bathfield, P. R. S. (W. A. Hand), London.  
 Batty, B. M. (J. H. Grave), Halifax.  
 Baws, A. R. (L. H. Lesser), Southend-on-Sea.  
 Baxter, D. W. (V. H. Frank), London.  
 Beak, T. J. (L. H. Fink), London.  
 Beard, M. W. (G. E. Sawtell), Stourbridge.  
 Beaton, N. (T. L. C. Clarke), Plymouth.  
 Beattie, A. O. (J. E. Coppock), Carlisle.  
 Beattie, A. W. (D. H. Williams), Lewes.  
 Beazleigh, B. A. (S. C. Ellis), London.  
 Beech, R. E. (A. Jolly), Hove.  
 Bell, J. C. (J. C. Burgess), Manchester.  
 Bell, J. G. (S), Nairobi.  
 Bell, M. A. (G. A. Bell), Manchester.  
 Bell, P. B. (W. R. T. Whatmore), London.  
 Belshaw, G. R. (R. W. Swinbank), Stockton-on-Tees.  
 Benazeth, J-P. A. L. (S), Nairobi.  
 Bendel, A. P. (P. Messik), London.  
 Benn, C. W. (L. N. Winder), Liverpool.  
 Benn, M. A. (The Hon J. W. Remnant), London.  
 Bennetworth, J. E. (R. J. C. Roffe), London.  
 Bentall, L. E. (Sir Harold Gillett), London.  
 \*Bessant, R. G. (W. H. Davies), Cardiff.  
 Bewick, B. N. (A. Smithson), Leeds.

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(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

- Bhaloo, N. V. (J. S. H. Vine), London.  
 Bilgen, M. J. M. (C. A. Chapman), London.  
 Binks, A. W. S. (A. E. Campbell), Manchester.  
 Birchall, C. W. D. (R. Watson), Liverpool.  
 Bird, A. M. D. (M. B. Nichols), Bristol.  
 Bishop, J. W. (H. T. Easdale), London.  
 Blacknall, D. (C. J. White), Nottingham.  
 Blackstone, C. J. R. (J. T. Corbett), London.  
 Boardman, S. H. (G. S. H. Dicker), Yarmouth.  
 Bolitho, J. F. (D. K. Adams), Liverpool.  
 Bolsom, A. N. (H. Rainsbury), London.  
 Bolton, L. (J. N. Prentice), London.  
 Boote, C. R. M. (M. E. Marsh), Stoke-on-Trent.  
 Borneman, R. G. (J. H. Talbot), London.  
 Bosworth, B. (K. V. R. Heaven), Birmingham.  
 Bouch, W. V. (W. J. N. Sherratt), Chester.  
 Boustead, J. R. (R. E. Hinchcliffe), Huddersfield.  
 Bowden, D. C. (D. L. Moulds), Burnley.  
 Bowden, G. J. (L. Freeman), London.  
 Boyd, C. G. (F. Warren), Camborne.  
 Bradley, D. F. (H. Senogles), Bangor.  
 Bradshaw, E. (J. A. Colvin), Liverpool.  
 Brahmabhatt, S. B. (M. L. Phillips), London.  
 Brand, M. A. (K. L. Collin), Sheffield.  
 Breakwell, A. (I. O. Macleod), Birmingham.  
 Brewer, W. R. (J. C. MacGregor), Liverpool.  
 Brewis, R. A. (R. F. George), London.  
 Broadway, A. K. (E. Winstanley), Nottingham.  
 Brooke-Webb, M. V. (E. A. Mortleman), London.  
 Brooks, D. (R. T. Wrieden), London.  
 Brown, C. C. (T. D. Walker), London.  
 Brown, D. W. (J. C. Smethers), London.  
 Brown, E. M. R. (A. S. Hitchings), London.  
 Brown, J. J. (B. C. Scurr), Alton.  
 Brown, N. J. (V. A. Tudball), London.  
 Brown, P. C. C. (J. L. Mawhood), London.  
 Brown, R. D. (C. A. Lee), Birmingham.  
 Brown, W. B. P. (B. C. Kirk), Birmingham.  
 Bryant, E. J. (G. R. MacKay), London.  
 Buchanan, A. J. (H. J. Watkins), London.  
 Buckley, B. (W. Moss), Ashton-under-Lyne.  
 Bull, M. J. (M. Bound), Southampton.  
 Bumby, J. (D. R. Fendick), Manchester.  
 Bungard, M. N. (F. E. Webber), Worthing.  
 Bunting, D. A. (W. H. V. Witcher), Reading.  
 Burslem, J. F. (P. T. Neal), Birmingham.  
 Burton, P. T. (C. M. Foxon), Nottingham.  
 Bush, B. S. (P. C. Greenwood), Reading.  
 Bush, F. G. (J. B. Bland), Ilford.  
 Bush, J. L. (K. Todd), Leicester.  
 Butler, J. F. (R. W. C. Dunn), Birmingham.  
 Butterfield, A. C. (W. E. Johnson), London.  
 Butterworth, H. B. (J. F. Taylor), London.  
 Cadiz, M. P. (R. F. May), London.  
 Caldwell, W. M. (W. E. Parker), London.  
 Callison, R. W. (G. E. Skaith), Grimsby.  
 Cambitzi, G. A. (C. R. Goulder), London.  
 Candish, K. G. (R. B. De Zouche), Liverpool.  
 Cannell, M. D. H. (S), Norwich.  
 Cansick, T. A. (G. H. Searle), London.  
 Cardew, R. M. D. (V. F. Berry), London.  
 Carlin, H. A. (R. F. G. Burrows), Nottingham.  
 Carlisle, A. F. H. (D. M. D. Raper), London.  
 Carroll, W. H. (K. A. Millichap), Manchester.  
 Carter, A. S. (J. M. Harvey), Liverpool.  
 Carter, B. E. (L. J. Culshaw), London.  
 Carter, B. J. (F. R. Hews), Worthing.  
 Castledine, I. W. (C. J. Lucking), Long Eaton.  
 Cave, R. A. (L. Grahame), London.  
 Chadder, R. V. J. (R. G. Leach), London.  
 Chadha, H. L. (K. J. Dessauer), London.  
 Chaffer, G. W. (G. C. Sagar), Leeds.  
 Chalk, P. H. (M. B. Jenks), London.  
 Chalmers, N. A. (F. S. Bray), London.  
 Chambers, B. B. (J. T. Isherwood), London.  
 Chambers, J. E. (W. N. Chick), Nottingham.  
 Chaplin, J. R. (H. J. Ballam), London.  
 Chapman, A. B. (H. Pear), London.  
 Chapman, M. W. (W. K. Wells), London.  
 Chapman, P. R. (F. A. Pratley), London.  
 Chapman, R. K. H. (C. Romer-Lee), London.  
 Chatwood, H. B. (L. Booth), Witney.  
 Cheney, R. M. (T. Hodgson), Manchester.  
 Chester, A. M. (H. D. Anderson), Middlesbrough.  
 Chick, M. R. (T. Hoffman), London.  
 Chicken, B. W. O. (E. W. Dowdy), London.  
 Chilcott, J. F. (H. C. Kelley), Birmingham.  
 Chinoy, F. M. (J. F. Shuttleworth), London.  
 Cholmeley, J. M. (P. G. Corbett), London.  
 Chrisp, P. D. C. (D. B. Ward), Middlesbrough.  
 Christodoulou, A. (J. S. Newth), London.  
 Chute, T. M. (L. J. Ive), London.  
 Clare, C. J. (G. A. Raymond), Tunbridge Wells.  
 Clark, D. (J. V. Baines), Stockton-on-Tees.  
 Clark, G. (D. L. T. Creer), York.  
 Clark, R. (W. R. T. Whatmore), London.  
 Clarke, H. A. (The Hon. J. W. Remnant), London.  
 Clarke, P. J. F. (K. S. Peirson), Coventry.  
 Clark-Maxwell, J. W. (J. P. Coatsworth), London.  
 Clarkson, J. (C. A. P. Snow), Darlington.  
 Clayton, R. A. (H. Bowers), Manchester.  
 Clayton, W. (S), Manchester.  
 Cleaver, M. (J. M. Keeping), Dorchester.  
 Clee, K. G. (R. T. Smith), Rhyl.  
 Clemence, J. A. (J. E. Grande), London.  
 Clement, R. J. (T. C. Backshell), Surbiton.  
 Clifton-Crick, E. L. (G. E. Cartwright), London.  
 Clough, J. R. (D. T. Veale), Leeds.  
 Clough, K. A. (L. Buckley), Manchester.  
 Clow, B. J. (A. J. H. Watson), London.  
 Coakes, R. J. (S. G. Dowden), Bournemouth.  
 Cochrane, J. A. (W. R. T. Whatmore), London.  
 Coffey, P. M. (R. G. Leach), London.  
 Cohen, E. S. (C. Murray), London.  
 Cohen, S. (L. C. Curtis), London.  
 Cole, D. O. (D. C. Hobson), London.  
 Cole, D. P. E. (A. Salter), Cardiff.  
 Collier, S. (H. S. Stafford), Manchester.  
 Connah, M. T. (A. D. Chegidden), Ilford.  
 Connorton, F. (J. W. Berriman), Middlesbrough.  
 Conran, C. C. (A. W. Dalling), Brighton.  
 Constantinou, D. (T. H. How), London.  
 Cook, A. C. (L. J. Newey), Romford.  
 Cook, G. A. (A. L. Rowles), London.  
 Cook, G. A. (Miss), (G. L. A. Davis), London.  
 Cooke, H. R. G. (N. C. Elliott), London.  
 Coombe, R. J. (L. J. Rackley), Brixham.  
 Cooper, B. J. (R. S. Gumery), Birmingham.  
 Cooper, G. W. (L. Davies), Wolverhampton.  
 Cope, J. A. (R. W. Rodwell), Leicester.  
 Cope, R. A. B. (P. G. Corbett), London.  
 Corbin, A. B. (P. M. Walters), London.  
 Cornell, M. M. (J. R. Martin), London.  
 Cornfield, R. W. (P. A. Elliott), London.  
 Cornforth, S. (Miss), (D. B. Lawson), London.  
 Couchman, E. H. (E. R. Nicholson), London.  
 Coulson, D. J. (C. H. Mead), Bournemouth.  
 Coupland, W. D. (G. Goodall), York.  
 Cowling, M. J. K. (A. J. Whiting), Wisbech.  
 Cox, B. A. (K. C. Foster), London.  
 Crook, D. M. (J. C. Brown), Manchester.  
 Cross, R. D. (G. C. Taylor), Ashford, Kent.  
 Cunningham, A. S. (E. W. P. Freeman), Lowestoft.  
 Curtis, P. J. (P. T. Comber), London.  
 Daggatt, J. (C. E. Speight), Manchester.  
 Dainty, B. R. (W. C. Nelson), Wolverhampton.  
 Dale, D. N. (E. R. Nicholson), London.  
 Dale, J. H. (H. Baldwin), Manchester.  
 Dalzell, R. A. (G. A. Raymond), Tunbridge Wells.  
 Dando, H. (H. Wood), Bishop Auckland.  
 Dandridge, D. P. (F. T. Wright), London.  
 Dandy J. (T. R. Keens), Luton.  
 Dastur, P. J. (K. R. Mackenzie), Liverpool.  
 Da Vall, A. J. (S), Brighton.  
 Davey, R. W. (F. R. Witty), London.  
 David, E. G. (S), Nairobi.  
 Davies, B. P. R. (C. P. Tiptaft), Mexborough.  
 Davies, B. L. (A. Falkner), London.  
 Davies, J. E. (P. A. Clark), Gravesend.  
 Davies, N. R. (A. V. J. More), Manchester.  
 Davies, R. J. (S. T. Maxwell), Preston.  
 Davies, S. (Miss), (A. W. L. Sleeman), Swansea.  
 Davis, D. T. (S. B. Smith), London.  
 Davis, G. A. (F. C. P. Sheers), London.  
 Davis, J. G. M. (H. Tonge), Oxford.  
 Davis, J. L. (H. J. Williams), London.

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Davisson, C. J. (T. M. Pragnell), Nottingham.  
 Dawson, D. J. (A. G. W. Scott), London.  
 Deacon, R. H. (L. Smith), Kettering.  
 Dean, G. D. (H. P. Patterson), London.  
 Delahunt, A. H. (J. B. Sweeney), London.  
 Dempsey, B. B. (R. E. Stephenson), Bournemouth.  
 Denman, J. H. (P. J. Dolan), London.  
 Dennison, R. J. (F. L. Moore), London.  
 De Robeck, B. M. (R. Fawcett), London.  
 Desai, V. K. (H. L. Lawson), London.  
 Devani, S. C. (A. Harris), London.  
 De Villiers, J. L. M. (J. D. Brown), London.  
 Dewar, J. A. (P. L. H. Smith), Harrogate.  
 Dewar, R. D. (D. A. Bussell), London.  
 De Wilde, T. C. (V. D. Boorman), Twickenham.  
 Dexter, A. M. (S. Goldwater), London.  
 Diamantino, C. A. S. (E. C. Jones), London.  
 Dias, R. E. (H. C. Medlam), London.  
 Dick, M. G. (F. J. Comley), London.  
 Dickinson, P. N. (E. Chetter), Liverpool.  
 Dickinson, S. (J. O. Turner), Norwich.  
 Dimbleby, R. T. (A. V. Flather), Bradford.  
 Dingle, G. M. (J. M. E. King), Manchester.  
 Dodd, T. (J. C. S. Ferguson), London.  
 Dodgson, K. W. (G. E. Rushton), Bradford.  
 Dodgson, R. A. (C. R. Booth), Bradford.  
 Donoghue, W. J. (L. O. Deacon), London.  
 Dook, B. (Miss), (T. G. Burton), Hull.  
 Doshi, H. B. (A. Sadie), London.  
 Downes, J. A. (H. P. Patterson), London.  
 Downing, M. J. (S), Hull.  
 Drayson, C. E. (J. L. Wannan), London.  
 Driscoll, J. R. (H. J. Impey), Bicester.  
 Duff, P. M. (A. Whittaker), Sunderland.  
 Dunkerley, G. J. (H. Keate), Manchester.  
 Dunn, G. J. H. (S. A. Middleton), Newcastle upon Tyne.  
 Dunn, P. (B. K. Fitton), Manchester.  
 Duthie, R. G. B. (F. C. Jones), London.

Earle, R. H. D. (G. E. Richards), London.  
 Easson, J. H. S. (W. Parker), Birmingham.  
 Easter, D. H. (J. T. Rutherford), London.  
 Eaton, W. H. (A. W. Toze), London.  
 Ebeling, M. G. (D. L. Shaw), London.  
 Edgar, J. B. S. (D. H. Kirk), London.  
 Edmonds, K. (T. B. Hughes), London.  
 Edmunds, G. W. (M. F. Moore), London.  
 Edwards, A. M. (G. F. Thornton), Torrington.  
 Edwards, D. (L. King), Liverpool.  
 Edwards, M. L. (H. W. May), Chelmsford.  
 Eilledge, E. O. M. (R. L. Harrison), London.  
 Elliott, P. A. (H. Wharam), Sheffield.  
 Ellis, A. (R. C. Bishop), Leicester.  
 Ellison, J. (F. Pittock), London.  
 Ellwood, C. J. (Miss), (S. J. Drakeley), Nuneaton.  
 Elston, J. (H. Battye), Sheffield.  
 Ely, T. A. (V. A. Tudball), London.  
 Embiricos, A. P. (H. C. Fooks), Cardiff.  
 Emerson, B. F. (H. Young), London.  
 Emmerson, D. M. I. (R. L. Mills), Newcastle upon Tyne.  
 Endicott, D. J. V. (B. P. Hegarty), London.  
 England, J. C. (W. R. Heatley), Coventry.  
 Epstein, V. H. (C. M. Shore), London.  
 Euinton, A. C. (S. Ager), London.  
 Evans, A. C. (R. B. T. Castle), London.  
 Evans, C. (K. H. Fisher), London.  
 Evans, D. J. (R. B. Leech), Coventry.  
 Evans, J. R. (E. K. Evans), Llandudno.  
 Evans, J. R. (M. E. Roberts), Leeds.  
 Evans, K. J. (P. J. L. Case), Watford.  
 Eves, J. W. (C. M. Shore), London.  
 Ezekiel, E. S. (S. R. Russell), London.

Fairbairn, W. A. (G. P. Clarke), London.  
 Fairweather, G. M. (C. R. Daniel), Cardiff.  
 Facer, R. G. (A. E. Limehouse), Rugby.  
 Falconer, B. H. (J. F. Parrott), London.  
 Farquhar, R. M. (D. B. D'Eath), London.  
 Fautley, D. P. (L. V. Smith), London.  
 Fea, R. W. B. (W. H. Lawson), London.  
 Fearne, J. J. (W. Murphy), Loughborough.  
 Feldman, D. L. (E. D. Bard), London.  
 Felkin, J. A. (H. G. P. Greenwood), London.

Fellowes, M. D. D. (L. R. Fradin), London.  
 Fetterman, N. (H. M. Thei), London.  
 Fewkes, C. R. (D. G. Truscott), London.  
 Fidler, M. E. (A. G. B. Drabble), London.  
 Field, M. L. (E. W. Burden), Southsea.  
 Filer, M. H. (M. G. Spofforth), London.  
 Finn, P. H. (W. C. Long), Bradford.  
 Finnegan, P. A. (H. M. Madeley), Birmingham.  
 Fisher, M. A. (W. A. Hand), London.  
 Fisher, R. B. N. (D. J. Gulliford), Southsea.  
 Flanagan, J. T. (J. W. Isacke), Birmingham.  
 Flegg, P. K. (R. E. Reynolds), London.  
 Fleming, D. J. (G. H. Scott), Leeds.  
 Flynn, P. J. (L. J. Rendall), London.  
 Follett, B. (H. S. Thompson), London.  
 Forshaw, R. (A. W. Miles), Bournemouth.  
 Foskett, M. J. (J. W. Alington), Chelmsford.  
 Foster, J. D. (E. D. Adams), London.  
 Foster, J. E. (F. P. Bleach), Leeds.  
 \* Fox, H. (V. Walton), Leeds.  
 \* Fox, M. A. (R. W. Gorman), London.  
 Freeman, W. R. (F. A. M. MacDanell), London.  
 \* French, L. E. (G. H. B. Rowlinson), Cambridge.  
 French, T. J. (M. Wheatley Jones), Manchester.  
 Frost, B. F. (W. H. Eldridge), Chelmsford.

Gaisford St Lawrence, J. F. (P. R. Frere), London.  
 Gallagher, J. (G. W. Murphy), Manchester.  
 Galloway, D. C. (Miss), (D. E. Mathias), Tavistock.  
 Garner, J. A. (E. Sykes), Manchester.  
 Garrett, A. V. (F. L. S. Pickard), London.  
 Gauthier, J. P. H. (P. H. Smith), London.  
 Gawne-Cain, R. D. (D. C. Keeping), London.  
 Gazzard, R. M. D. (M. St A. Moore), London.  
 Gellman, S. (S. M. Marks), London.  
 George, M. J. (M. J. F. Shaw), Cambridge.  
 Ghosh, S. K. (L. S. Fenton), London.  
 Gibbs, B. (Miss), (G. R. Lowe), London.  
 Gibbs, P. R. (M. Hoose), Great Yarmouth.  
 Gilbey, A. W. (S. G. Sillem), London.  
 Gill, R. E. (W. C. Nelson), Wolverhampton.  
 Gillard, A. J. (T. A. Wyatt), Bath.  
 Godden, N. R. B. (T. A. Tansley), London.  
 Godfrey, R. A. (W. J. N. Sherratt), Chester.  
 Godwin, H. E. (R. R. Elliott), Ilford.  
 Golding, E. R. (S. Gainsley), London.  
 Goldstein, M. (J. J. Nunes Vaz), London.  
 Gooch, A. J. (B. S. Coker), Grays.  
 Goodwin, D. J. (C. F. Horton), Maidstone.  
 \* Gore, M. B. G. (L. Pells), London.  
 Gort, D. A. (D. A. Boothman), Manchester.  
 Gould, D. J. (P. G. Blampied), Jersey.  
 Gowlland, N. P. (F. A. S. Peaty), London.  
 Grafham, J. M. (A. F. Thompson), Broadstairs.  
 Graves, D. W. (T. G. Blackwell), London.  
 Gray, J. McK. (J. S. Lake), London.  
 Green, A. G. (E. T. Wallis), Kidderminster.  
 Green, J. R. P. (R. W. C. Dunn), Birmingham.  
 Green, L. T. (S. P. Wilkins), London.  
 Greenhill, M. F. (R. C. J. Fountaine), Sandown, I.W.  
 Greenwood, M. E. W. (E. W. G. Joicey-Cecil), London.  
 Gregory, C. S. (E. T. Peckham), London.  
 Gregory, V. J. (J. K. MacDonald), London.  
 Grieves, C. (S), London.  
 Griffin, D. S. (H. G. Mack), London.  
 Griffiths, A. L. (D. B. Buick), London.  
 Grigg, B. M. (J. W. Vincent), London.  
 Grisdale, J. C. (A. Clarke), Manchester.  
 Groom, M. J. (A. B. Plevy), Kidderminster.  
 Guttentag, C. (E. Miskin), London.

Haddon, P. J. L. (E. J. Stokes), London.  
 Hadfield, P. D. S. (E. D. McMillan), London.  
 Hadlow, M. T. (P. A. Stutter), London.  
 Haigh, A. (H. Crowther), Huddersfield.  
 Haile, B. E. (J. H. Golcher), Leicester.  
 Haines, J. (R. W. Atkin), Sheffield.  
 Haines, M. P. (G. Westcott), Pontypridd.  
 Hainsworth, A. (F. Lightowler), Bradford.  
 Hale, D. B. (P. Cooper), Newcastle upon Tyne.  
 Hale, M. L. (K. B. Hutton), London.  
 Hall, B. M. (H. P. Nunes Vaz), London.  
 Hall, M. R. (L. Geary), Manchester.  
 Hall, R. W. J. (B. Wilton), Bexhill-on-Sea.

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Halpin, C. D. (A. Hall), London.  
 Halpin, C. F. (G. B. Bunker), London.  
 Hamilton, D. N. P. (S. W. C. Sprunt), London.  
 Hammond, A. A. (A. G. Mortimer), London.  
 Hammond, J. (R. W. Young), London.  
 Hampson, B. (Miss), (C. Whitehead), Manchester.  
 Hankey, J. B. (G. Morgan), London.  
 Hargreaves, C. S. (E. M. Haslam), Bolton.  
 Hargreaves, B. (W. Collinge), Burnley.  
 Hargreaves, J. M. (N. Kirkman), Leeds.  
 Harland, M. J. S. (L. F. Guillem), London.  
 \*Harley, S. M. (W. R. Heatley), Coventry.  
 Harmer, P. J. (J. E. Talbot), London.  
 Harrington, L. T. (D. B. Hirshfield), London.  
 Harris, A. (J. N. Rogers), Liverpool.  
 Harris, B. E. (E. W. Evans), Coventry.  
 Harris, J. A. (R. W. Leigh), London.  
 Harris, R. J. (H. K. G. Martyn), Truro.  
 Harris, V. G. (A. S. Willies), London.  
 Harrison, A. J. (G. A. Williams), Newport, Mon.  
 Harrison, J. B. (G. F. Middle), Stourbridge.  
 Harrison, J. S. F. (H. C. Mounsey), Liverpool.  
 Harry, D. M. (G. B. Porter), London.  
 Hartley, C. R. (E. I. Reynard), Nelson.  
 Harvey, M. S. (H. G. J. Foulger), London.  
 Harvey, T. M. (A. R. Adams), Birmingham.  
 Hastings, A. (N. J. Dodd), London.  
 Hawes, B. H. (F. Webb), Manchester.  
 Hawes, J. S. (J. P. Davey), Ipswich.  
 Hawkins, R. W. (J. E. Grande), London.  
 Haworth, T. G. (G. L. Weiner), London.  
 Hayes, I. W. (A. E. Mitchell), Chesterfield.  
 Haynes, P. E. (J. A. Allen), London.  
 Head, P. D. (R. D. Keyworth), Newton Abbot.  
 Head, M. S. G. (M. L. Grant), London.  
 Heath, L. E. (R. M. Simpson), London.  
 Heath, M. R. (K. G. Shuttleworth), Sheffield.  
 Heath, R. E. (R. G. Bailey), Plymouth.  
 Heathcote, R. A. B. (D. D. Rae Smith), London.  
 Heffer, N. (R. H. More), London.  
 Helliwell, D. (J. D. Hamer), Manchester.  
 Helm, M. T. (R. J. Wheeler), Tunbridge Wells.  
 Henderson, A. C. (J. E. Coppock), Carlisle.  
 Henderson, C. E. E. (F. E. Worley), Chichester.  
 Henniger, L. J. (S. H. Vine), London.  
 Henry, M. R. (R. M. Chapman), South Shields.  
 Hewerdine, D. (J. Baldock), Grantham.  
 Hewitt, T. (S. G. Sillem), London.  
 Hews, R. A. F. (G. C. Toulmin), Brighton.  
 Hicks, R. L. (G. H. Stevenson), London.  
 Higginson, T. R. (R. Horne), St Annes.  
 Highton, I. W. (A. J. Barsham), London.  
 Hill, R. D. (W. M. Atwood), London.  
 Hill, R. D. (P. O. Carter), Bolton.  
 Hill, S. A. (D. S. T. Pettitt), Bournemouth.  
 Hill, V. G. (J. K. Macrae), London.  
 Hillier, J. H. (A. P. W. Simon), London.  
 Hindmarch, J. G. (E. A. Toplis), Grantham.  
 Hobbs, A. A. (P. T. Baly), London.  
 Hobbs, G. J. (S. C. Parlett), Margate.  
 Hodges, D. W. (K. J. Milligan), Birmingham.  
 Hodgson, A. G. S. (R. H. Parsons), Eastbourne.  
 Hoe, A. McI. (C. L. Arundale), Macclesfield.  
 Hogg, A. C. (R. J. Burford), Cardiff.  
 Holborn, T. (D. M. Finlayson), Liverpool.  
 Holley, B. E. (R. E. Stephenson), Bournemouth.  
 Holliday, P. J. (D. S. Stevens), London.  
 Holmes, G. (G. E. Lamb), Leeds.  
 Homewood, T. O. (G. C. Tayler), Ashford, Kent.  
 Hopper, K. A. (R. H. T. Burgess), Exeter.  
 Horley, G. H. (J. R. Antoine), High Wycombe.  
 Hornby, T. G. (A. G. B. Gunn), London.  
 Horner, J. W. (J. B. Longbottom), Harrogate.  
 Hornsby, C. R. (E. S. D. Bavin), London.  
 Hoskins, M. G. R. (C. E. B. Thompson), Ipswich.  
 Howard, B. W. (E. J. Stokes), London.  
 Howard, G. G. (G. C. Peat), London.  
 Howarth, B. J. (G. M. Holroyde), Bradford.  
 Howells, J. S. (D. J. Dempster), Llanelli.  
 Hoyle, K. (G. W. Murphy), Manchester.  
 Huber, J. C. (S), London.  
 Huckle, R. G. (D. W. S. Hains), Lincoln.  
 Hulme, M. (A. D. Fincham), London.  
 Humby, M. J. (S. Fawcett), Salisbury.

Humphrey, J. D. (J. B. Corrin), Northampton.  
 Hunt, T. M. B. (R. A. Barsham), London.  
 Hunter, P. C. C. (W. E. Parker), London.  
 Hurst, D. V. (W. G. Wilson), Liverpool.  
 Hurwich, B. D. (J. Seal), Manchester.  
 Husain, A. (S. J. Lambert), London.  
 Hutchinson, L. G. (M. Berley), London.

Imison, C. W. T. (S), London.  
 Ineson, E. (G. Barton), Heckmondwike.  
 Inman, B. M. (E. Green), Leeds.  
 Ions, W. W. (J. E. Spoor), Newcastle upon Tyne.  
 Ireland, R. S. (J. H. Varcoc), Bristol.  
 Irish, G. C. (S), Leeds.  
 Isherwood, J. G. (H. B. Clarke), Manchester.

\*Jackman, C. J. (R. T. Bucknill), London.  
 Jackman, J. M. E. (Miss) (N. J. Dodd), London.  
 Jackman, D. G. (T. H. Jackson), Scarborough.  
 Jackson, N. V. (D. Armitage), Leeds.  
 Jackson, R. I. (J. H. Godfrey), Sheffield.  
 Jaffer, N. M. (E. H. Leigh), London.  
 Jaffrabaddwalla, A. K. (F. E. Ellis), London.  
 Jager, C. (E. Noble), London.  
 James, C. P. L. (A. F. Warren), Newton Abbot.  
 James, R. M. (F. G. Baker), London.  
 Jay, N. H. G. (D. J. Pyne-Gilbert), London.  
 Jeffries, P. J. (J. D. Wells), London.  
 Jeffries, T. D. (T. H. M. Baird), London.  
 Jivraj, S. G. R. (P. V. Rising), London.  
 Johnson, E. C. (G. G. Owens), Liverpool.  
 Johnson, N. R. (G. D. F. Dillon), London.  
 Johnston, A. P. L. (G. R. Littlewood), Sheffield.  
 Johnston, S. H. (Sir Harold Howitt), London.  
 Jones, A. D. C. (R. Goorney), Blackpool.  
 Jones, A. F. (F. B. Proctor), London.  
 Jones, B. (R. Horton), Derby.  
 Jones, D. F. (A. G. Elliott), Harrow.  
 Jones, F. E. H. (R. F. George), London.  
 Jones, J. E. (E. T. Hale), London.  
 Jones, J. M. (N. O. Ednie), Bedford.  
 Jones, K. (J. S. Harrison), Leeds.  
 Jones, R. W. (S), Bournemouth.  
 Jopson, T. D. (J. L. Wood), Burnley.  
 Joyce, D. H. (F. W. Berringer), Bromley.  
 Jukes, P. M. (V. G. Mundy), Gloucester.  
 \*Julien, M. F. (E. D. McMillan), London.

Kalra, V. K. (H. Brandes), London.  
 \*Kariya, N. J. (D. Clayton), London.  
 Karmy, A. D. (W. M. Stones), Southsea.  
 Kaye, J. D. (H. Crowther), Huddersfield.  
 Kellett, P. H. (R. J. Churchill), Sunderland.  
 Kellie-Smith, D. A. (F. W. Charles), London.  
 Kelly, D. J. W. (D. E. Heron), Workington.  
 Kemp, R. C. (D. B. Dawes), Manchester.  
 Kempell, J. B. (E. F. W. Batts), London.  
 Kennedy, G. (R. L. Lloyd), Wolverhampton.  
 Kenney, J. (S. Reynolds), Coventry.  
 Kerger, M. F. (B. W. Rivett), London.  
 Kerman, N. B. (C. Romer-Lee), London.  
 Kerr, J. M. R. S. (C. W. Puckett), Torquay.  
 Kerr, M. W. (N. Gilbert), London.  
 Keys, F. J. (D. R. Clack), London.  
 Khalidson, R. O. T. (I. V. Cummings), Romford.  
 Khan, Z. M. (A. P. Bearman), London.  
 Khanna, K. C. (I. Sassoon), London.  
 Khosla, N. (H. Brandes), London.  
 Khosla, R. K. (P. A. Welsford), London.  
 Kidd, J. L. (J. Sloan), Liverpool.  
 Kilner, D. L. (W. A. Allan), Newcastle upon Tyne.  
 King, H. A. (E. W. G. Joicey-Cecil), London.  
 King, J. W. (W. A. Lamerton), London.  
 Kingerlee, G. J. (K. C. R. Trafford), Oxford.  
 Kleyman, E. D. (H. Goodier), London.  
 Knight-Jones, G. (P. F. Granger), Nottingham.  
 Krish, J. P. (J. D. Nightingale), London.  
 Kusmirak, M. S. (P. J. C. Vincent), London.  
 Kutner, M. (H. Jacobs), London.

Lacey, D. A. C. (W. A. Lamerton), London.  
 Lachelin, T. P. H. (J. T. Corbett), London.  
 Lahiri, S. (E. R. Nicholson), London.  
 Lakeman, B. J. G. (D. D. Rae Smith), London.

\* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

- Lambourne, C. R. (J. D. Wells), London.  
 Landis, H. P. (H. A. Snelling), London.  
 Lang, J. (J. K. Bellchambers), Newton Abbot.  
 Lang, J. C. V. (E. A. Bland), Colchester.  
 Langhorn, J. A. (K. E. Tann), London.  
 Langton, S. P. (S. B. Smith), London.  
 Laver, J. M. (N. Sacker), Bournemouth.  
 Lawson, D. F. (A. G. B. Burney), London.  
 Leal, L. V. (C. B. Umney), London.  
 Leaver, H. D. (H. Collins), London.  
 Leitao, E. F. F. R. (G. P. Griffith), London.  
 Leonard, P. A. (Miss), (L. O'B. Deacon), London.  
 Leong, D. (L. King), Liverpool.  
 Lethbridge, D. E. (E. E. Boyles), London.  
 Levison, B. L. (A. R. Avens), Portsmouth.  
 Levy, B. A. (A. A. Davis), London.  
 Levy, R. (E. Slater), London.  
 Liddell, C. O. (B. D. Beeston), London.  
 Lindley, P. M. (A. G. Thomas), Sheffield.  
 Linford, J. E. (R. Sutcliffe), Peterborough.  
 Ling, R. (K. H. Fisher), London.  
 Lister, J. H. P. (A. R. Walton), Leeds.  
 Littlefair, R. G. (C. W. H. Jackson), Nottingham.  
 Littlewood, J. (W. S. Morley), Leeds.  
 Livermore, A. W. (W. F. Baines), London.  
 Lloyd, E. S. G. (A. E. Downing), London.  
 Lodge, P. J. (N. V. Collins), London.  
 Logan, J. (D. H. Rooke), London.  
 Lohnberg, M. J. (R. W. Warren), London.  
 Lomax, D. P. (R. Law), Liverpool.  
 Long, A. P. (L. Parker), London.  
 Longworth, A. J. (H. R. Sewell), Birmingham.  
 Loong, A. S. H. (F. E. Hargreaves), London.  
 Love, E. A. (Miss), (H. K. S. Clark), London.  
 Love, R. W. (A. M. Baker), Wolverhampton.  
 Loveday, J. C. (P. Williams), Huddersfield.  
 Lovering, A. J. (D. F. Pratten), Swansea.  
 Lowe, J. R. (R. P. Smith), Chorley.  
 Lowenstein, G. F. (W. E. Willis), Leicester.  
 Luckins, D. W. J. (H. A. Beale), London.  
 Luccock, P. G. (H. H. Hole), St Albans.  
 Lumsden, B. R. (G. Brown), London.  
 Lynn, M. A. (R. W. C. Dunn), Birmingham.
- McClure, H. (E. S. Dixon), Slough.  
 McCotter, R. A. (R. A. Hubbard), Reading.  
 McCowie, G. (A. I. G. White), Newcastle upon Tyne.  
 McDonald, I. M. (R. M. Lang), London.  
 McGaughey, P. (P. V. Wheeler), Shrewsbury.  
 McGinity, B. J. (F. J. Cook), Liverpool.  
 McGrath, T. W. (B. Arnold), Watford.  
 McLartyre, J. G. (D. E. Brewster), London.  
 McIntyre, M. R. (R. P. Hedley), London.  
 McKee, A. L. G. (J. Rowan), Sheffield.  
 Mackrill, R. E. (J. D. Paull), London.  
 McLaren, S. P. (J. A. Allen), London.  
 Mahajan, Y. P. (W. C. S. Waight), Bromley.  
 Mahamadi, H. (D. V. House), London.  
 Mainwaring, D. H. K. (J. M. Harrison), Liverpool.  
 Maitland, R. D. (D. S. Morpeth), London.  
 Malcolm, A. (G. Tattersall), Huddersfield.  
 Manjra, M. Y. (H. W. V. Lodge), London.  
 Mannion, J. J. (D. R. Fendick), Manchester.  
 Manze, C. A. (F. J. Chivers), London.  
 Margesson, C. P. (K. S. Moore), London.  
 Markham, J. M. G. (M. E. Riddelsdell), London.  
 Martin, J. B. C. (J. S. Ellison), Liverpool.  
 Martin, P. L. (R. M. E. Watkins), London.  
 \*Martin, P. N. (F. D. Jeffries), Walsall.  
 Marvin, J. A. (R. C. Bishop), Leicester.  
 Maslin, M. J. (P. S. Tanswell), Twickenham.  
 Mason, R. (D. P. Lloyd), Dudley.  
 Mason, T. H. (F. D. Jeffries), Walsall.  
 Matravers, J. C. D. (M. Hall), Ilminster.  
 Matthews, K. H. (C. H. Maggs), Bristol.  
 \*Maughling, D. J. (H. K. G. Martyn), Truro.  
 Mawby, J. E. (L. W. Gibson), Morecambe.  
 Maxwell, C. A. (P. S. Hawkins), London.  
 May, D. R. (H. J. Hobby), Rochester.  
 Meade, B. J. (G. G. Boxall), London.  
 Meadows, A. J. (H. J. C. Dawes), Worcester.  
 Mecklenburgh, M. L. G. (G. L. Ratcliffe), Bournemouth.  
 Medayil, P. J. J. (J. Wolchover), London.  
 Meisels, A. (V. Sklar), London.
- Mellor, A. T. (V. F. Berry), London.  
 Memom, Y. J. (P. R. Goldthorpe), Birmingham.  
 Mercer, J. A. (E. S. Browne), Liverpool.  
 Meredith, C. T. A. (L. F. Jones), Wolverhampton.  
 Merrey, A. J. (E. J. Stone), Northampton.  
 Merrifield, C. (R. D. F. Brearley), Devizes.  
 Michaels, H. (S. Sharpe), London.  
 Middleton, L. (Miss), (R. P. Poole), London.  
 Middleton, L. C. (G. H. B. Rowlinson), Cambridge.  
 Mildren, M. K. (L. J. Reddall), London.  
 Miles, K. C. (G. H. Fletcher), London.  
 Miliffe, P. J. (P. B. MacHugh), London.  
 Miller, G. (C. A. Leat), London.  
 Miller, J. (A. H. Leppard), London.  
 Millington, R. S. (P. W. Barrows), Birmingham.  
 Milner, T. W. (E. Ingle), Bradford.  
 Minor, L. W. (W. G. Fox), Leicester.  
 Mitchell, B. W. (D. Battersby), Manchester.  
 Mitchell, G. (K. E. Whitwam), Lincoln.  
 Mitchell, T. J. (D. W. Waite), Halifax.  
 Mittal, S. K. (C. J. Hayward), Reading. (*The Plender Prize for the paper on Book-keeping and Accounts (Limited Companies)*).  
 Mocatta, J. E. A. (C. H. Nathan), London.  
 Mole, D. H. (E. J. C. Swaysland), Croydon.  
 Molesworth, A. H. N. (K. F. Steven), London.  
 Monaghan, B. J. (W. G. Adams), London.  
 Monk, J. R. (H. Wood), Bishop Auckland.  
 Moore, C. B. G. (S), Manchester.  
 Moos, R. F. (F. E. Rowland), London.  
 Moran, B. W. (H. Myers), Newcastle upon Tyne.  
 Morant, W. A. (H. G. Ayres), London.  
 \*Mordy, W. H. J. (A. V. Flather), Bradford.  
 Morgan, C. (V. A. Tudball), London.  
 Morgan, J. M. (C. G. C. Hector), Brighton.  
 Morgan, W. E. K. (F. O. M. Smith), London.  
 Morison, A. G. (W. McD. Morison), London.  
 Morrell, M. C. E. (L. T. Eyles), London.  
 Morris, A. (A. S. Oliver), Hull.  
 \*Morris, D. E. A. (H. Peat), London.  
 Morris, R. L. (R. S. Weir), Liverpool.  
 Mort, D. L. (S. P. Wilkins), London.  
 Morton, M. (F. D. Jones), Derby.  
 Moss, B. (P. Wand), Southend-on-Sea.  
 Moulds, B. F. (C. E. Neville), London.  
 Moverley, P. (M. C. Ainley), London.  
 Moyse, A. B. (H. O. Rule), Truro.  
 Mujtaba, E. (D. Lewis), London.  
 Munroe, J. (J. W. Berriman), Middlesbrough.  
 Murray, W. K. (S), Bolton.  
 Mushlin, D. R. (J. S. Hyland), London.  
 Mutch, A. J. F. (L. K. Taylor), Manchester.
- Nagle, R. J. (M. R. Nathan), London.  
 Narracott, M. J. (L. K. Wootton), Winchester.  
 Neale, T. P. G. (J. W. Bell), London.  
 Negus, T. A. A. (O. Furnival-Jones), London.  
 Nesbitt, R. A. E. (G. F. Ansell), London.  
 Neville, R. N. (G. Talfourd-Cook), Reading.  
 New, W. (J. W. Glass), Liverpool.  
 Newbery, C. H. (E. W. Watts), London.  
 Newell, A. (R. B. T. Castle), London.  
 Newing, K. J. (K. G. Darke), London.  
 Newton, J. (R. A. Pitt), Manchester.  
 Newton, R. P. J. (M. W. Smith), Poole.  
 Norman, D. E. (W. M. Baxter), Plymouth.  
 North, D. I. (J. L. Wilson), Leeds.  
 Norton, R. J. (J. Auerbach), London.  
 Nunn, R. (K. H. Fisher), London.
- Oakes, A. C. (A. L. W. Rich), London.  
 Oakley, N. A. (B. O. Manning), London.  
 O'Brien, M. (R. Richards), London.  
 O'Brien, P. C. (L. Booth), Witney.  
 Ody, K. A. (H. T. Easdale), London.  
 Offer, J. A. C. (H. W. Gray), Oxford.  
 Ogutuga, D. B. O. (R. H. Brown), Brighton.  
 Okafor, B. O. (G. B. Watson), Oxford.  
 Olagbaiye, A. A. (R. H. Brown), Brighton.  
 O'Leary, K. (F. A. Walsh), Liverpool.  
 O'Leary, T. (A. L. Low), London.  
 Oliver, G. S. (P. R. Hackett), Birmingham.  
 Osborn, D. W. T. (G. Bostock), London.  
 O'Sullivan, K. C. (C. R. Daniel), Cardiff. (*The Plender Prize for the paper on Auditing*).

\* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

- Overall, K. E. (D. B. Buick), London.  
 Overton, J. L. (G. E. Johnson), Derby.  
 Owen, E. T. (R. A. Latimer), Liverpool.  
 Owen, J. M. (Miss), (B. Wheatley Jones), Manchester.
- Pal, P. R. (R. K. Briscoe), London.  
 Palfreyman, D. E. (C. H. Coxen), Birmingham.  
 Pallister, G. (J. C. Fortune), West Hartlepool.  
 Palmer, D. A. (A. E. R. Formoy), London.  
 Parkes, G. D. (E. C. Turner), Birmingham.  
 Parkes, T. M. (L. Owen), Birmingham.  
 Parkinson, F. (H. G. Cooper), London.  
 Parr, B. J. (Miss), (L. W. Parsonage), Sheffield.  
 Parritt, B. D. (D. B. Ward), Newcastle upon Tyne.  
 Parton, J. (H. G. Jenkins), Chester.  
 Paul, K. A. (J. M. Harrison), Liverpool.  
 Pawlyn, A. D. (G. W. Pillar), Plymouth.  
 Peacock, I. G. (C. E. M. Hardie), London.  
 Pearce, I. W. (N. H. Tolputt), Guildford.  
 Pepper, R. T. L. (D. G. Tate), St Albans.  
 Perampalam, V. M. (H. Abrahams), London.  
 Peters, D. J. R. (C. B. Cawthorne), London.  
 Peters, D. W. (W. R. V. Searle), London.  
 Philby, L. R. (A. E. B. Foxwell), Kettering.  
 Phillips, P. V. (T. L. C. Clarke), Plymouth.  
 Pickess, B. A. (R. D. Curtis), London.  
 Pickles, R. G. (T. E. Pickles), Selby.  
 Pickup, R. (K. G. Snowden), Preston.  
 Pike, J. R. (I. B. Glickman), London.  
 \*Pilgrem, C. H. (H. E. Hard), Southend-on-Sea.  
 Pilkington, C. B. (J. W. Parker), Penrith.  
 Pillinger, B. N. (C. H. Maggs), Bristol.  
 Pinfield-Wells, T. (H. G. Pinner), Redditch.  
 \*Pink, M. (E. D. Q. D'Alton), London.  
 Pitt, B. J. (J. A. Potter), London.  
 Popple, M. J. (H. Betts), Nottingham.  
 Porter, G. B. (J. F. Holroyd), Liverpool.  
 Porter, J. M. (C. G. Brown), London.  
 Porter, J. S. (K. B. Jefferies), Cardiff.  
 Potter, A. R. (R. H. Passmore), Torquay.  
 Potts, R. R. (F. Yarwood), Horley.  
 Poulard, C. (G. C. Calder), London.  
 Poulter, T. M. C. (G. E. Lamb), Leeds.  
 Power, A. M. D. (J. Wyatt-Williams), London.  
 Price, B. M. (A. J. Cooke), London.  
 Prior, J. E. C. (J. Codling), Beaconsfield.
- Randall, T. N. (J. H. Girdwood), London.  
 Rawlinson, P. A. (N. Littlestone), Cardiff.  
 Rayner, A. (J. Harrison), London.  
 Reber, J. R. (J. V. Morris), London.  
 Redmayne, H. D. (E. Heginbotham), Nottingham.  
 Redwood, R. (R. Massey), Wolverhampton.  
 Reeve, M. A. F. (E. E. P. Maltby), London.  
 Reid, A. B. (W. F. C. Marwood), London.  
 Rendell, H. P. (Miss), (A. S. Kennard), Newton Abbot.  
 Richards, D. J. (S), Margate.  
 Richards, E. (E. H. Illingworth), Huddersfield.  
 Richardson, G. A. (B. A. Burke), London.  
 Rickwood, P. R. (A. N. Bass), London.  
 Rider, T. J. (S. J. Pears), London.  
 Ridley, P. (J. K. Snow), Scarborough.  
 Ridley, R. N. (D. E. Church), London.  
 Rimmer, C. A. (P. J. C. Vincent), London.  
 Rivers, J. P. (R. Bentley), Southampton.  
 Roberts, A. J. (R. R. Porter), Torquay.  
 Roberts, G. A. (E. J. R. Holder), London.  
 Roberts, G. D. (D. J. Jones), Manchester.  
 Roberts, G. E. (T. Myers), Manchester.  
 Roberts, J. C. (E. Painter), London.  
 Roberts, M. A. (E. J. Humphries), Bath.  
 Robinson, F. C. E. (J. H. Davies), London.  
 Robinson, F. G. (M. I. Tailby), Birmingham.  
 Robinson, F. H. (A. H. Hainsworth), Bradford.  
 Robinson, J. A. (A. Punchard), London.  
 Robinson, N. D. (A. J. Hebblethwaite), London.  
 Robson, B. (H. Myers), Newcastle upon Tyne.  
 Rockett, C. J. (P. Sheard), Huddersfield.  
 Rodgers, P. M. (R. Varney), Spalding.  
 Roffey, C. G. (G. H. Wagstaff), London.  
 Rogers, J. G. (T. S. Fletcher), Salisbury.  
 Rogers, P. H. (J. Bromley), Southampton.  
 Rooney, E. (Miss), (T. Bell), Sunderland.
- Roper, M. W. (C. J. Barlow), Liverpool.  
 Rotter, R. J. A. (A. W. Johnson), London.  
 Rowe, G. V. (L. G. Fetzter), Newcastle under Lyme.  
 Rowlandson, R. G. St J. (W. G. Densem), London.  
 Runham, P. W. (E. M. Fraser), Newbury.  
 Rusdale, N. K. (R. C. Copeman), Hull.  
 Russell, J. E. (D. F. Wadge), Newcastle upon Tyne.  
 Russell, J. F. (P. W. Foston), Derby.  
 Russell, L. (O. T. Tollit), Chester.  
 Russell, M. A. (Miss), (R. N. Russell), Birchington.
- Sadler, C. I. (F. J. Hammond), London.  
 Sadler, C. S. (W. J. Leeming), London.  
 Sallis, G. H. (W. J. Lawrence), Basingstoke.  
 Samuel, J. R. P. (G. H. Cann), London.  
 Sancho, G. E. (A. H. Bonn), London.  
 Sargent, M. E. (J. J. Wrench), London.  
 Saywell, J. A. T. (J. P. Vallance), London.  
 Scorer, B. R. I. (H. M. Pritchard), Birmingham.  
 Scott, A. (W. G. Medlam), London.  
 Scott, P. (E. J. Grande), London.  
 Scovell, M. G. (H. P. Board), Cambridge.  
 Scriven, G. (R. B. Dixon), Birmingham.  
 Selkirk, I. A. (B. N. Antoine), London.  
 Seymour, C. H. (J. E. R. Vellacott), London.  
 Shafran, M. J. (M. I. Makin), London.  
 Shah, S. H. (H. Petrie), London.  
 Shah, S. Z. (R. B. Barker), London.  
 Shapiro, J. I. J. (J. V. Crump), London.  
 Sharp, J. (F. S. Nickson), Blackpool.  
 Sharp, R. W. (H. A. Sisson), Newcastle upon Tyne.  
 Sharples, G. (D. West), Chorley.  
 Sharples, W. G. (P. Hampson), Preston.  
 Shaw, B. (F. S. L. Moon), Clitheroe.  
 Shaw, D. I. (W. E. Thompson), Manchester.  
 Shaw, P. D. (L. Blackie), London.  
 Shaw, T. J. (J. Butterworth), Oldham.  
 Shephard, R. A. (K. L. Palk), Alton.  
 Sherazee, M. A. (M. H. Leighton), London.  
 Sherratt, A. J. (F. A. Walker), Birmingham.  
 Sherwood, M. J. (Miss), (J. A. W. T. Morgan), Newport, I.W.  
 Shields, A. J. (E. M. Kevehazi), London.  
 Shirtcliff, R. A. (C. M. Strachan), Hull.  
 Shrubbsall, R. F. (C. Romer-Lee), London.  
 Siddiqui, I. H. (S. J. Lambert), London.  
 Sidley, R. J. L. (D. M. D. Raper), London.  
 Simmonds, M. (J. S. Lake), London.  
 Simmonds, P. A. A. (A. F. Pownall), Liverpool.  
 Simon, C. M. A. (R. K. Briscoe), London.  
 Simonds, G. D. (D. W. Robertson), London.  
 Simons, R. F. (D. G. Williams), London.  
 Simpson, I. D. (E. N. Revell), Huddersfield.  
 Simpson, J. (S), London.  
 Simpson, J. V. (P. A. Hayes), Cardiff.  
 Simpson, R. H. (A. D. Fincham), London.  
 Singh, R. K. (F. C. R. Moule), Nottingham.  
 Sivers, R. G. (F. Adams), London.  
 Skidmore, T. (J. Reddaway), Exeter.  
 Skilton, G. E. T. (R. S. Sprange), Sutton.  
 Slater, A. H. P. (E. F. G. Whinney), London.  
 Slee, T. W. (A. H. Brown), Fordingbridge.  
 Smart, C. A. (E. T. Shepperd), Cardiff.  
 Smedley, E. A. (J. S. Frith), Manchester.  
 Smith, A. (T. Ditchburn), Sunderland.  
 Smith, B. F. (J. W. Margetts), London.  
 Smith, G. A. C. (W. M. Mason), London.  
 Smith, G. M. (D. S. Osborne), Birmingham.  
 Smith, J. T. (P. E. Thain), King's Lynn.  
 Smith, P. G. (M. T. Kendrick), Leeds.  
 Smith, P. J. (C. E. E. Pryke), London.  
 \*Smith, R. N. (R. A. C. Norris-Jones), London.  
 Solomons, S. P. (J. Wise), London.  
 Somers, H. S. (C. J. Auerbach), London.  
 Somers, R. L. (B. R. R. Blackie), Seaton.  
 Soper, B. W. (A. S. Kennard), Newton Abbot.  
 Sorene, L. M. (G. Sorene), London.  
 Speed, J. E. M. (G. P. L. Hudson), Stroud.  
 Speer, M. P. (D. B. D'Eath), London.  
 Spooner, J. D. (C. Romer-Lee), London.  
 Spouse, W. R. (C. E. M. Hardie), London.  
 Sprackling, A. G. (B. Morgan), London.  
 Spring, G. G. (K. W. S. Clark), London.  
 Stainforth, N. D. M. (S. M. Duncan), London.  
 Stanyard, R. J. (G. F. Tomlin), Coalville.

\* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.



- Stapley, B. F. G. (W. T. Williams), London.  
 Steed, J. R. (N. Green), Sudbury.  
 Steele, D. R. (H. L. Fisher), London.  
 Stekel, R. (B. M. Till), London.  
 Stephenson, C. E. (H. Barnett), Mansfield.  
 \*Stern, M. C. (S. J. Bressloff), London.  
 Sterry, J. A. (C. W. Smith), London.  
 Stevens, A. A. (A. J. Roberts), London.  
 Stewart, M. O. L. (H. L. Pedley), London.  
 Stobbs, G. N. (P. Gardiner), Newcastle upon Tyne.  
 Stockley, A. J. (C. A. Pocock), London.  
 Stonell, M. R. (Miss), (C. Wild), Dorchester.  
 Strang, M. R. (J. G. W. Manners), Middlesbrough.  
 Stratford, D. N. (R. J. Munday), London.  
 Stream, J. S. (R. F. Gentry), Seaford.  
 Strickland, A. W. B. (H. T. Scothorne), Nottingham.  
 Stroh, J. (F. Collis), London.  
 Strong, B. H. (S), Hull.  
 Stuart, J. F. (G. F. Davies), London.  
 Sullivan, D. L. P. (A. J. Golding), London.  
 Sutcliffe, R. A. (W. W. J. T. Tinker), London.  
 Sweet, G. E. (E. D. Sanders), Liverpool.  
 Swinburne, G. B. (J. Hankinson), Hull.  
 Sykes, J. A. (G. D. Warrington), Huddersfield.
- Tan, B. K. (P. F. Cansdale), London.  
 Targett, P. B. (J. D. Beck), Birmingham.  
 Taylor, C. M. K. (F. B. Proctor), London.  
 Taylor, E. (F. L. Davies), Warrington.  
 Taylor, G. W. (J. Maw), Sunderland.  
 Taylor, H. W. (J. D. Baker), Walsall.  
 Taylor, M. A. J. (W. N. Coope), Bolton.  
 Taylor, M. G. (C. R. Goulder), London.  
 Taylor, P. D. (P. G. H. Evans), London.  
 Taylor, R. G. (G. W. Currie), Blackpool.  
 Taylor, R. H. W. (K. A. Fossey), Leeds.  
 Taylor, S. A. (J. Palmer), Hull.  
 Tenn-Lyn, E. J. (H. G. Daniels), Redhill.  
 Terras, C. R. (E. E. P. Maltby), London.  
 Thevarajah, V. (K. S. Norman), London.  
 Thom, T. R. (T. R. T. Bucknill), London.  
 \*Thomas, A. G. (S. C. Thomas), Liverpool.  
 Thomas, P. K. (I. F. Halliday), Huddersfield.  
 Thomas, R. N. B. (W. B. S. Walker), London.  
 Thompson, B. P. (R. H. Williams), London.  
 Thompson, D. F. (C. A. S. Pain), London.  
 Thompson, M. A. (Miss), (A. L. L. Glendinning), Newcastle upon Tyne.  
 Thomson, D. R. (T. A. Tansley), London.  
 Thresher, J. (F. J. B. Gardner), London.  
 Tirmizey, S. D. H. K. (S), London.  
 Toland, M. S. (W. F. Masters), London.  
 Tolley, F. C. (I. F. Halliday), Huddersfield.  
 Tolson, M. (H. Crowther), Huddersfield.  
 Tomlinson, J. (R. S. Davis), Manchester.  
 \*Tomlinson, R. S. (K. L. Young), London.  
 Tosh, P. M. (H. A. Snell), Bristol.  
 Townsend, M. A. (E. R. Nicholson), London.  
 Travis, G. W. (W. B. S. Walker), London.  
 Trevelyan, E. W. (H. A. Perkins), Leeds.  
 Trill, P. J. (W. H. V. Witcher), Reading.  
 Tripp, D. P. (D. A. Clarke), London.  
 Trotman, P. S. (D. S. Morpeth), London.  
 Trott, P. M. (H. A. Merchant), London.  
 Trubshaw, C. W. (W. H. M. Isle), Bradford.  
 Tubbs, D. D. (J. C. Gregory), Darlington.  
 Turk, A. R. (J. D. C. Stone), London.  
 Turnbull, J. R. A. (S), Gateshead.  
 Turner, D. J. (G. M. Turner), Southampton.  
 Turner, P. M. (S. Croudson), Leeds.  
 Twinn, L. (T. R. Robinson), Sunderland.  
 Tyrrell-Evans, N. J. T. (E. J. R. May), London.
- \*Upshall, J. (C. C. H. Burnage), London.  
 Upton, D. H. (K. V. R. Heaven), Birmingham.  
 Urben, T. B. K. (R. H. Williams), London.
- Vandome, M. J. (S. A. Letts), London.  
 Vaughan, P. T. (D. R. Cole), London.  
 Vear, H. A. J. (J. E. R. Vellacott), London.  
 Vickers, W. J. (A. M. Baker), Wolverhampton.  
 Villars, B. R. (F. G. Baker), London.  
 Virides, A. C. (G. B. Porter), London.
- Wakefield, C. (I. F. Halliday), Huddersfield.  
 Waldman, N. D. (V. S. Craig), London.  
 Walker, P. O. (F. E. K. Conway), Bristol.  
 Walker, R. E. (A. E. Donnelly), Gosport.  
 Walker, W. B. F. (J. C. Brown), Manchester.  
 Wall, J. P. (E. D. McMillan), London.  
 Waller, C. R. (M. Clifton), London.  
 Waller, M. G. (A. B. Lucas), London.  
 Wallis-Hosken, R. St J. (H. A. Hawes), London.  
 Walsh, E. F. (M. Golend), London.  
 Walsh, V. C. (D. Battersby), Manchester.  
 Walters, R. M. (H. Peat), London.  
 Walther, D. J. (C. Pearson), Liverpool.  
 Warbey, V. G. (F. H. Cropp), London.  
 Ward, C. R. P. (D. H. Whinney), London.  
 Warden, C. H. (F. C. A. Ledsam), Birmingham.  
 Warmington, P. (G. P. H. Smith), Exeter.  
 Warriner, G. A. (J. R. Griffiths), Colwyn Bay.  
 Waterman, J. J. (I. Engel), London.  
 Waters, J. C. (R. A. Withey), Bristol.  
 Watson, B. D. (F. C. Stoneham), London.  
 Weatherhead, A. (W. A. Reah), Newcastle upon Tyne.  
 Webb, A. T. (J. B. Pittman), London.  
 Webb, J. R. (R. L. Davis), London.  
 Webber, B. J. (F. E. Worley), Chichester.  
 Webber, G. R. (G. M. Dowrick), Colchester.  
 Webster, J. S. (W. S. W. Fone), London.  
 Wechsler, J. A. M. (A. G. Warne), London.  
 Weeks, M. R. C. (T. E. Entwistle), Liverpool.  
 Wellings, D. D. (J. C. Lees), Birmingham.  
 Wells, W. A. (The Rt. Hon. Lord Dovercourt), London.  
 West, D. W. (A. Bedford), London.  
 Westall, D. G. (G. R. Eaton), Leicester.  
 Weyman, C. D. (J. E. K. Clarke), London.  
 Whalley, B. (G. S. Murdoch), Blackpool.  
 Wheatcroft, C. (C. D. Smith), London.  
 White, A. T. (G. D. F. Dillon), London.  
 White, C. R. (W. H. C. Campbell), London.  
 White, D. E. (M. S. Bradford), London.  
 White, K. G. (J. D. Askew), Cheltenham.  
 White, M. St J. (T. H. Sanders), Wellingborough.  
 Whitehouse, A. J. (J. T. Chamberlain), Birmingham.  
 Whittaker, B. J. (W. F. Masters), London.  
 Whybrow, A. C. (W. J. L. Clarke), London.  
 Wickham, B. E. (F. H. Pledge), London.  
 Wicks, A. W. (J. W. Clement), London.  
 Widdowson, K. J. (J. M. Farley), Bradford.  
 Wilde, G. S. (R. Watson), Liverpool.  
 Wilkinson, A. K. (F. Gregg), Manchester.  
 Wilkinson, C. M. (C. H. Nathan), London.  
 Wilkinson, J. (K. B. Collinson), Grimsby.  
 Williams, D. A. (Miss), (J. Townsend), Liverpool.  
 Williamson, D. G. (C. C. Taylor), Liverpool.  
 Willis, A. D. (A. C. Unthank), London.  
 Willott, D. H. (M. E. Lermitt), London.  
 Willoughby, P. J. (W. E. Emms), London.  
 Wilson, B. L. (H. D. J. Haines), Hereford.  
 Wilson, C. (N. H. Parkinson), Leicester.  
 Wilson, I. W. (D. D. Rae Smith), London.  
 Winburn, M. (D. Smith), Leeds.  
 Wintle, L. J. (E. D. Q. D'Alton), London.  
 Withers, J. N. (A. C. Sharp), Leicester.  
 Withers, R. W. (A. C. Tooke), London.  
 Witney, D. B. (T. E. D. Murphy), London.  
 Wolstenholme, D. (J. M. Selby), London.  
 Wood, B. B. (G. T. Hills), London.  
 Woodley, R. W. (D. H. D. Freeman), London.  
 Woods, W. A. (J. C. Cain), Douglas, I.O.M.  
 Worby, G. F. (S. E. Clear), Bedford.  
 Worton, R. H. J. (A. L. Richardson), Dudley.  
 Wright, D. J. (J. G. Austin), Leicester.
- Yamakias, N. A. (J. R. F. Williamson), London.  
 Yates, D. A. (G. D. Farmiloe), Birmingham.  
 Yeatman, G. M. (Miss), (A. A. B. Yeatman), London.  
 Yeomans, G. (F. L. Wyatt), Manchester.  
 York, J. T. J. (W. P. Scowcroft), Liverpool.  
 Young, S. (J. W. Lodge), Truro.  
 Youngman, B. C. (C. M. Jackson), London.  
 \*Youngman, C. M. (A. L. Sandeman-Allen), Halesworth.  
 Yuen, H. H.-M. (H. Peat), London.
- Zeital, R. S. (S. C. Selwyn), London.

**1,051 Candidates passed.****1,097 Candidates failed.**

\* See also Certificate of Merit above.

(S) Service in accordance with the regulations of the former Society of Incorporated Accountants.

## PRELIMINARY EXAMINATION

Held on November 15th, 16th, 17th and 18th, 1960

Full List of Names of Successful Candidates  
(In alphabetical order)

Adams, R. J., Wallington.  
Adams, R. J., Bristol.  
Ames, R. F., Somercotes.  
Anderson, J. C., Keighley.

Balogh, P. D., London.  
Barclay, A. D. W., Birmingham.  
Barnard, D. S., Stamford.  
Barrow, P. J., Liverpool.  
Bleasdale, C. J., Preston.  
Brown, I. W., Enfield.  
Burns, M. R., Broseley.

Cairns, A. T., London.  
Capron, A. N. H., Grimsby.  
Collins, J. W., Sedgley.  
Connolly, B. J., Ashton-under-Lyne.  
Cowley, P. E., London.  
Cross, J., Preston.  
Cutler, C. E., Malvern Link.

Dallinger, C., Birkenhead.  
Dodds, J. W., London.  
Dunkley, A. J., Birmingham.  
Edwards, D. R. E., London.  
Fadhli, A. S. London.  
Ferrari, F., London.  
Flanders, J. M., Dagenham.  
Fry, R. W., Woodford Wells.  
Gee, S. F., Stockport.

Godwin, P. L., Braunstone.  
Goonewardene, N. K. W., London.  
Grainger, P. J., Sheffield.

Harwood, M., St Albans.  
Haworth, N. L., Rossendale.  
Hill, W., Manchester.  
Hindley, M. H., Warrington.  
Hutton, D. F., Wakefield.  
Hyde, C. J., Oakham.

Jayarathne, S. M., London.

Kay, P. L., London.  
Kendal, P. S., Hornchurch.  
Khodr, S., London.  
Kodagoda, S. L., London.

Langdon, R. M., Shepperton.

Macauley, A. E., London.  
McBain, L., St Bees.  
McKenzie, G. R., Hale.  
Maggs, R., Coventry.  
Mallinson, W. J., London.  
Marco, C. D., Westcliff-on-Sea.  
Middleton, R. P. E., Alton.  
Moody, A. G., Sheffield.

North, D. M., Bradford.

O'Donnell, C. P., Harrow.  
Oliver, D. B., Liverpool.

Parikh, G. B., London.  
Parker, M., Enfield.  
Parkin, S. B., Ilkeston.  
Parkinson, M. A., Salford.  
Pester, P. J., Exeter.

Quilliam, J. B., Hoylake.

Riley, K. N., Selby.  
Ryan, F. D., London.

Sampson, M. O., Maidstone.  
Scott, P. R., Oldham.  
Shaw, R. C. (Miss), Eastbourne.  
Smith, J. C., Sheffield.  
Spedding, M. J., Carlisle.  
Stephens-Clarkson, H. P., Chesham Bois.  
Strover, D. R. R., London.

Thompson, N. B., Leicester.  
Thorn, E. P. J., Worcester Park.  
Tuchband, N. L., London.  
Tunncliffe, F. J., Camborne.  
Turner, M. J., Ilford.

Warrender, R., Ruslip.  
Webber, N., Ilford.  
Wheale, P. R., Old Hill.  
White, J. R., Folkestone.  
Whitwam, I. M. H. (Miss), Seaton.  
Wickremeratne, E. A., London.  
Wood, M. L. R., London.  
Woods, I., Preston.

Deloitte Prize for the year 1960  
Goonewardene, Nalin Kumara Wijie.

81 Candidates passed.

137 Candidates failed.

## Summary of Results

	Final	Intermediate	Preliminary	Total
Candidates Successful .. .. .	797	1,051	81	1,929
Candidates Failed .. .. .	807	1,097	137	2,041
Candidates Sat .. .. .	1,604	2,148	218	3,970

EXAMINATIONS OF THE SOCIETY OF  
INCORPORATED ACCOUNTANTS

(In Voluntary Liquidation)

The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland and The Institute of Chartered Accountants in Ireland, in accordance with the schemes of integration with the Society of Incorporated Accountants (in voluntary liquidation) conducted the Final Examination of the Society in November 1960.

## FINAL EXAMINATION

(Names of Successful Candidates)

## 1. Candidates for membership of The Institute of Chartered Accountants in England and Wales.

Allen, N. S., London.  
Ardley, C. D., York.  
Asafu-Adjaye, J. K. B. (G. S. Brunning), London.

Beattie, R. J., London.  
Berg, N. M. (D. N. Curitz), Cardiff.  
Bergman, J. H. R., London.

JOHN FOORD &amp; COMPANY

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REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT &amp; MACHINERY, Etc.

Bourne, W. (A. Ollerenshaw), Stockport.  
Bowen-Bravery, B. (G. Ross), Cardiff.  
Broadwell, A. (S. A. Holyland), Leicester.  
Burton, F. M. (T. Knott), Stockport.  
Butler, E. J., Bristol.

Cannan, M. B. (W. A. Airey), Liverpool.  
Capstick, G. (W. E. Whitwell), Kendal.  
Clark, S., London.  
Collier, J. J. L. (J. Codling), Beaconsfield.  
Collins, J. W., Chelmsford.  
Cornwell, C. A., London.  
Coulter, J. M. (W. H. Chesworth), Manchester.  
Cox, P. E. (E. Beal), Southampton.  
Cuke, D. E. V. (N. Cassleton Elliott), London.  
Cundy, R., Sheffield.

Davey, R. J. (J. N. Parrott), St Neots.  
Davies, P. (W. B. Wroot), Grimsby.  
Dawson, A. (H. Snape), Manchester.  
Dobson, K. (F. Myers), Wetherby.  
Dodge, M. J. (Mrs. J. R. Wise), London.

Feeley, C. V., Preston.  
Fry, J. (L. F. Fry), London.

Gillibrand, M. F. (A. Macdonald), Hull.  
Gilmore, A. S., Hull.  
Greenhow, D. H. (A. C. Shay), London.

Hayward, E. V., Wolverhampton.  
Hinson, J. (N. Acomb), Keighley.  
Hockney, P., Bradford.  
Holgate, D. G., London.  
Hooper, H. L. G., Paignton.  
Houghton, S. N. (S. J. Lambert), London.  
Howell, A., Ellesmere Port.  
Hunt, D. P. (G. G. Mullens), Port Talbot.

Jackson, D., London.  
Jackson, J., Sheffield.  
Jacob, A. E., London.  
Joslin, C. J., Chelmsford.  
Joyce, J. T., London.

Knight, P. J. (C. F. Baxter), Kettering.

Laing, M. J. (E. T. Mackrill), Berkhamsted.  
Lewis, E. G., Portsmouth.  
Long, D. W. C., London.  
Lush, D. (A. Hornby), London.

McQuater, A. (W. E. Moore), Sheffield.  
Manning, F. C., London.  
Mayled, W. V. (D. F. Gay), London.  
Miles, G. J., Southend-on-Sea.  
Monk, A., Accrington.  
Mooney, B. I. (T. Bell), Sunderland.  
Moore, B. (A. J. Richards), London.  
Moore, R. I. (F. G. Harris), Oxford.  
Morgan, D. E., Birmingham.  
Morgan, P. C. (W. Curtis), Neath.  
Morley, J. A. (C. Pearson), Liverpool.

North, R. C. (G. A. J. Morris), London.

Philpott, D. J. (A. Mackintosh), Worthing.  
Pizzey, L. G., London.  
Poulton, G. E., Manchester.

Ralph, C. R., Worcester.  
Redwood, D. G. (V. S. Craig), London.  
Regan, F. E. (V. A. Bell), Manchester.  
Regan, M. A. (C. F. Carlisle), Nottingham.  
Ricket, P. G., London.  
Roberts, R. G., Manchester.  
Rothwell, V. F. (J. McMurphy), Manchester.

Scot, R. W. (D. F. Gray), London.  
Sinclair-Day, D. I. (J. Lewin), London.  
Slack, E., Newcastle upon Tyne.  
Slade, D. H. (R. L. Stephens), Manchester.  
Stansfield, N., Hebden Bridge.  
Stock, J. B. (F. C. Hucker), Wells.  
Stockford, R. W., Cardiff.  
Sumner, S., Southampton.

Tichener, W. H. (A. W. White), London.

Veale, D. R. (N. E. Mackelden), Plymouth.

Wain, H. (F. O. Wilson), Manchester.  
Walsh, C., Manchester.  
Ward, C., Matlock.  
Ward, H., Sheffield.  
Wareham, C. J. (E. F. Weston), London.  
Weir, J. B. (F. C. Wall), Bridgnorth.  
Wernham, F., Peterhead.  
Weston, J. N. (W. A. Mumford), Kidderminster.  
Williams, G., London.  
Withers, P., London.  
Wright, J. W., London.  
Young, D. R. (H. S. R. Harrison), Redditch.

## 2. Candidates for membership of The Institute of Chartered Accountants of Scotland.

Crichton, J. (G. K. Johnston & Smillie), Edinburgh.

Scott, W. T. (Thomas Smith & Sons), Glasgow.

## 3. Candidates for membership of The Institute of Chartered Accountants in Ireland.

Ardill, A. E. (S. O. Forster), Dublin.  
Balmer, W. C. (formerly with R. Bell, deceased), Belfast.  
Blanc, P. J., Cork.  
Daly, J. T. (D. W. Flynn), Dundalk.  
Hunter, D. J. P. (T. R. Beddy), Dublin.  
Irvine, J. (A. S. Courtney), Belfast.

Kenna, R. (T. M. J. Linnane), Dublin.  
Lyons, P. J. P. (R. A. Kidney), Dublin.  
McGowan, S. S. (V. C. Crowley), Dublin.  
Nagle, S. A. (Mrs. W. J. McMahon), Dublin.  
Norris, M. C. (N. Crowley), Dublin.  
O'Brien, J. J. L., Dublin.

## Summary of Results

	Passed	Failed	Total	Completing Examination
Parts I and II together .. .. .	—	—	—	—
Part I only .. .. .	*24	13	37	1
Part II only .. .. .	106	46	152	106

\* Includes two candidates who sat for both Parts of the Examination and passed in Part I only.

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## Pre-acquisition Profits

WHEN the Council of The Institute of Chartered Accountants in England and Wales submitted its memorandum on company law to the Jenkins Committee,<sup>1</sup> it expressed the hope of dealing in a supplementary memorandum with the general question of pre-acquisition profits and the considerations arising on mergers and reorganizations of companies. That supplementary memorandum has now been published and is reproduced elsewhere in this issue. It represents the most thorough and comprehensive approach to this problem which we have yet seen, as well as dealing with other matters.

Where a company has expended capital assets in acquiring a new subsidiary, by purchasing shares in that subsidiary, then from an accountancy point of view and on general principles, it is undesirable that the holding company should distribute, as dividends, those dividends which it receives from the subsidiary and which represent profits made by the subsidiary before the take-over. The reason is obvious; those reserves have been reflected in the price paid for the shares and therefore are of a capital nature in the holding company's hands.

This accountancy conception became involved in a curious way in the drafting of paragraphs 15 (4), (5), of the Eighth Schedule to the Companies Act, 1948. These paragraphs are concerned with the manner of presenting the accounts of a group, but they seem to have been drafted on the assumption that the dictate of prudent accounting, as mentioned above, had already been raised to the status of a statutory prohibition. This is not so. It is true that a company must not pay dividends out of its paid-up capital, a principle that is much older than the last three Companies Acts, but this prohibition goes no further than that. On the other hand, it is by no means confined to holding companies. Thus it is reasonably clear now that there are drafting errors in paragraphs 15 (4), (5), which will require to be cleared up. This, however, is not enough. A decision must be taken as to the fetters, if any, which are to be imposed on companies in the matter of paying dividends out of dividends on recently-acquired shares.

The proposals made by the Institute are confined to holding companies. It considers that there should be embodied in company law the general principle that in the normal way a holding company should treat as being of a capital nature the reserves of a subsidiary existing on the date as from which the shares in the subsidiary were acquired. We think that if the words 'as from which' are to be employed in the statute, then some safe-

<sup>1</sup> *The Accountant*, July 9th, 1960.

guards should be inserted against avoidance. Otherwise, there would appear to be nothing to prevent a company from entering into an agreement to purchase the shares of another company 'as from' some date long past. This would seem automatically to evade the prohibition in relation to profits made by the subsidiary in the intervening period.

The proposal is that the general rule outlined above should not be subject to exception where the shares are acquired for assets other than cash, or in consideration of an issue of the acquiring company's shares or debentures. The Institute points out, however, that where the holding company issues shares as part (or the whole) of

the purchase price, then additional considerations arise. The shareholders in the subsidiary become shareholders in the acquiring company. If the shareholders as a whole are agreeable, then subject to safeguards the holding company may reasonably pay dividends out of the subsidiary's reserves (the subsidiary having first paid them over to the holding company). The proposed safeguards are set out in paragraph 286 (c) (i), (ii), (iii) of the Institute's supplementary memorandum. Where the transaction is merely a rearrangement of shareholdings in an existing group, as where a new holding company is formed for that purpose, the proposed prohibition would have no place.

## The Scottish Institute and the Budget

**N**EARLY six years ago a Royal Commission recommended that an expert body should be set up to examine whether the anti-avoidance provisions of the Income Tax Acts were too widely drawn and whether they could be made shorter and more precise. Not only has this recommendation been ignored, but additional anti-avoidance provisions have been passed which are, if possible, even wider and more verbose. The Council of The Institute of Chartered Accountants of Scotland has submitted a memorandum to THE CHANCELLOR OF THE EXCHEQUER calling attention to the neglect of the Commission's recommendation. It has done this in two previous years and the cogency of its arguments is reinforced by the anti-avoidance provisions in the Finance Act, 1960. The new legislation provides machinery for obtaining clearances from the Inland Revenue but experience in the short time since it was passed indicates a marked reluctance on the part of the Inland Revenue to give any clearance.

One of the more savage, if less notorious, anti-avoidance sections is Section 408 of the Income Tax Act, 1952, which can in practice operate with great harshness. Directed at devices whereby a settlor can acquire, in the guise of capital, money which is, in effect, accumulated income, the section in fact hits out right and left at all kinds of situations where the tax avoidance element is entirely absent. For instance, if a settlor lends

money to the family company in which the settlement holds shares, he can be taxed to both income tax and surtax on the money when the loan is repaid, on the theory that he is acquiring accumulated settlement income. The Council recommends that the taxpayer should have an opportunity of satisfying an independent tribunal that there was no avoidance motive, whereupon the anti-avoidance provisions should not operate.

Now that child allowance is substantial in amount, the anomalous situation created by the absence of 'tapering' provisions where the child has an income just above the statutory limit causes real hardship and is unjustifiable. The Council points out that tapering is allowed in the case of dependent relatives, so there is really no excuse for withholding it from child allowance.

The Council recommends a reversal of the rule established by *Bidwell v. Gardiner*<sup>1</sup> under which a trade which changed hands was treated as a new one, not only for the purpose of basis of assessment, but also for the purpose of computing the profit. All buildings, with the possible exception of dwelling-houses, used in connection with businesses should in the Council's view rank for some form of amortization allowance.

While drawing attention to the failure to implement the Royal Commission's recommendation that surtax directions should be confined to a company's income which can reasonably be

<sup>1</sup> 39 A.T.C. 83.

distributed, the Scottish Institute's memorandum urges that profits tax exemption should be given to that part of a company's income which is the subject of direction and apportionment. It points out that where an investment company has estate or trading income, no matter how little, the Special Commissioners are not bound to make a direction in respect of it, with the result that the existence of a negligible amount of estate or trading income may forfeit a company's right to profits tax exemption.

It is evident that some fundamental rethinking about Schedule A tax is occupying the minds of the authorities. The solution put forward by the Council of the Scottish Institute is likely to

command a very wide measure of support. Under it, the rents from property would be assessed under Schedule D, while the tax on property which did not in fact yield any rent would be abolished. Complicated maintenance claims would cease to be necessary although, of course, the repairs to property occupied for a trade would continue to be deductible in arriving at the profit.

The Inland Revenue's new contention that management expenses relief should not be restricted to keep retainable charges in charge may be correct, but if it is, then as the Council says, the resulting assessments under Section 170 of the Income Tax Act, 1952, should be available for carry-forward against subsequent years.

## Hire-purchase Accounts

by ANCRUM F. EVANS, T.D., F.C.A.

**A**RISING from an article on consumer credit by the present writer which appeared in *The Times*, of November 25th, 1960, *The Accountant* suggested that the time might well have come for the accountancy profession to consider the virtues of 'pedantry' in the matter of how hire-purchase transactions should be recorded. At the present time, it is the general practice for such transactions to be recorded in the books of finance companies and, indeed, ordinary commercial concerns, as book debts for money lent, whereas these moneys in fact represent goods which have been let out on hire with an option for the buyer to purchase the goods at the end of the contract. Whilst for this reason the current accounting treatment can be shown to be inaccurate from a legalistic and pedantic viewpoint, the treatment may be justified by the overall financial effect of the normal hire-purchase contract.

The contract is generally so drafted that whatever happens, the finance company has a legal redress whereby it is entitled to recover at least the sum of money which was originally laid out, together with the charges thereon; for instance, where the goods are handed back and sold at a loss, a depreciation clause in the contract will entitle the finance company to recover the amount of the loss from the hirer. Nevertheless, it may well be contended that however much this inaccurate accounting treatment may be justified from a practical point of view, it has led to hire-

purchase being considered with the wrong basic ideas in the mind of many of the people concerned.

In broad terms, a lender or depositor would consider that a company with assets consisting almost entirely of goods on hire would be less credit-worthy than a company with assets consisting of loans or book debts. Casual inquiry amongst ordinary people without a professional background indicates that this financial appreciation of the safety of a deposit is well recognized by the public at large; this seems to point to the fact that, if the pedantic view had been disclosed to depositors, hire-purchase companies would have found it less easy to obtain money by deposit from the public. It is a matter for comment that in the casual inquiries which have been made, almost without exception people are surprised to discover that hire-purchase transactions should have been so generally recorded in a manner which does not describe the true facts. The authorities appear to have considerable latent powers under the Prevention of Frauds (Investments) Acts; inaccurate accountancy treatment of hire-purchase transactions creates circumstances in which finance company advertisements could be differentiated from other financial advertisements and thus result in action by authorities.

### The 'Goods' Approach

From the point of view of the management and the auditors of a finance company, the pedantic treatment gives rise to a very different approach

and for this reason raises a number of questions. In the first place, at the year end, instead of listing balances and debts, in theory stock should be taken; while stocktaking may be impractical, the very fact that this is the correct procedure must stimulate the people concerned to think out how they can verify, on a test basis, the existence of the assets which they have out on hire. A test check might have resulted in the earlier discovery of cases of extensive fraud, quite apart from the deterrent if test checks had been conscientiously and adequately carried out each year. For values, the managers and the auditors would have regard to the market; consideration of the market should lead the people concerned to consider such matters as how long the inflated values of the second-hand car market would continue, and what value, if any, could be placed on the provisions in the hire-purchase documents for contingent claims in respect of depreciation. Even so, the most pedantic person would probably be defeated in deciding what value should be put upon goods let out on hire in respect of current contracts, and perhaps the answer lies in a consideration of how the profession treats unexpired contracts at the date of the balance sheet.

### Contract Accounting

In the current practical method of hire-purchase accounting, strict apportionments of the accrued earnings on hire-purchase contracts are brought into account for the period to date, although there are a number of public companies with accounts where the whole of the charges are carried forward. This contrast with the recognized treatment in contract accounts where some formula is adopted under the rather general theory which may be called the 'prudent man rule' – that profit should not be brought into account until it is earned, and that where a contract exists over a period of years, some profit may be brought into account, provided it is restricted to a small proportion of the profit that is earned to the date of the balance sheet. Readers who have at present no practical experience of contract accounting will remember from their student days that the precise amount of profit that may be brought into account is determined by one of several formulae, the choice of which is a matter of personal whim.

The pedantic and prudent approach to hire-purchase accounting from this contract viewpoint might well be a valuation of the goods at cost less hire instalments received to date; a less prudent, but perhaps a more pedantic, treatment would be to add some small amount to represent the clerical

costs to date – at cost; but against this it may be argued that such overheads should be met out of the apportioned gross profit and that with values on repossession being so uncertain, the whole of the relatively small margin should be reserved until completion.

### Other Considerations

Special considerations apply to companies engaged in larger-scale industrial finance where the hire-purchase contract is more in the nature of a collateral security for a loan granted after a fully-considered appraisal of the financial state of the borrowing business. There is a strong case for differentiating between this type of transaction and those of the more normal consumer type. Moreover, a different treatment is merited not only because of the care which will have been bestowed on the vetting of the borrower but also because of the different nature of the assets financed. It is a very different matter to finance goods which earn money, as opposed to consumer goods, which do not earn their keep. The former may be expected to generate the income out of which the instalments may be met, whilst the latter are usually dependent upon the earnings. The risks relating to the former are assessable at the time of the loan, whilst the continuity of the hirers' ability to pay is less easily assessed.

It is, of course, unrealistic to claim that the pedantic approach would have saved finance companies in every case from the substantial losses which they have recently incurred, because there is a substantial amount of dealer finance, especially in motor-cars, under stocking agreements or by block discounting of the dealers' own hire-purchase agreements. In the case of the former, the transaction is little better than a loan with the potential security of lien on stock, whilst in the case of the latter, the security is dependent on the good management and soundness of the hire-purchase agreements which are discounted. It is through over-ready lending in this field that some of the trouble has arisen.

In conclusion it is suggested that in the consumer hire-purchase field, the 'goods' approach would lead to a more realistic attitude of mind and to a fairer and more accurate statement of the affairs of a company concerned in that type of business. Further, in the same way that professional valuers may be used for stocktaking, perhaps consideration should be given to the advisability of an annual appraisal of outstanding hire-purchase contracts by an independent credit management consultant.



# Parkinson in Reverse?

CONTRIBUTED

SINCE the war there has been endless talk about moving labour from one industry to another by physical and monetary controls so that those industries which need labour for the export drive can get it. In nearly every case the policy has failed. Squeezes carried out, especially in the durable consumer goods industries, have forced firms to shed unskilled labour. But they have held on to their skilled men. Rather than disband skilled teams they have worked short time and spread the work load as broadly as possible—a policy which has had the wholehearted support of the unions concerned. Labour has almost achieved the status of an overhead.

Technical and professional people, however, have long been in that position. In an age when trained staff with professional qualifications are scarce, the idea of their being released from temporarily contracting to expanding industries is quite foreign to our thinking. Only bankruptcy can disrupt staff teams. Yet is there any point in arguing for the movement of labour from one industry to another, if a certain number of technical and managerial personnel are not to move as well? The problem is less marked in countries where there is a tradition of moving from one job to another, as in the United States.

## Age of Professional Management

Over a period of years it is true that there is a certain modicum of movement. Young men are attracted to the expanding industries, for it is these which can pay the larger salaries; but the movement is slow and gradual, bearing no relationship to the swing of the trade cycle. There is no perceptible switch of men of somewhat established position, especially where they have professional or technical qualifications. (There is, of course, a continuous limited flow of men out to 'better' themselves.) There are a number of reasons for this sluggishness.

This is an age of *professional* management, when high taxation makes fringe benefits important. Attractive pension arrangements offer security and the opportunity of moving without modification of pension rights is as yet small. Houses and

the like, added to pensions, give further attractions to security. They are intended to do so by those who offer them.

Then, professional management operates to a large extent by committee procedure. It thinks in terms of departments, and policy is forged by bargaining and compromise rather than by intuition. And, of course, it may be right to do so. The ruthless flexibility of the business when grandfather ran it has given place to the skilled manoeuvre and clear, calculated thinking of today. There are exceptions to this but such is the common pattern.

When recession and the call for retrenchment hits organizations today, the attitude is often defensive, not aggressive. When grandfather's sales fell off and he opened up quickly in new fields, while staff and operatives felt the chill winds of change, he was counted a hard man. Today, we play for time and wait for signs of the upswing of the trade cycle.

## Vested Interest Outlook

The consequence is that when the call goes out 'Export or die', we politely decline to do either. Stirring calls to join in the fun of exporting can have quite an unexpected effect. Instead of scanning the sales horizon eagerly for signs of a new market abroad we take stock of our diplomatic position to see how our particular 'empire' in the company is going to be affected by any unwelcome changes. We look first to our own position and see what we have to offer in the bargaining session at the next management meeting. We are aware that he who is forewarned is forearmed. To put the argument in an extreme form, just at the moment when the need is for flexibility of outlook and spirit of adventure, some of the best brains in the country are busy organizing defensive works round their own bailiwicks.

Young men, moreover, are being trained in the same tradition. Professional management has added management training courses to good fringe benefits and committee procedure. In calm surroundings our bright young men are being taught to give tidy answers to set questions. They are

taught to sift evidence, put recommendations together and take a broad view. Tolerance and 'handling people' are given much emphasis. But because they *are* bright young men, they learn much more besides. As in other spheres, education of the young involves much more than the curricula of the masters. They therefore learn things about which older heads fondly imagine them to be innocent. The next generation of top managers will therefore be very like the one in control today – only slightly more so.

To return to the operatives. Four industries which have had serious set-backs to their prospects in recent years, some of them in the export as well as the home market, are aircraft, electrical goods (excluding electronics), shipbuilding and motor-cars. In only one of these has a worsening of prospects had a noticeable effect on employment and that is shipbuilding. In the aircraft industry, the cut in Government orders in 1957 and 1958 was confidently expected to reduce the labour force from about 280,000 to 200,000 – by about 25 per cent. In the autumn of 1960 the labour force was still above 280,000. Some of this rearguard action was undoubtedly due to successful diversification, but was it all due to that?

In December 1959, employment in the electrical goods industry was just over 260,000 but had risen to 274,000 by last September. In the motor vehicle industry, employment was 475,000 in December 1959, and 484,000 in September last.

### Finding the Answer at Operative Level

This effort to pursue a flexible economic policy while we do all we can to ossify our industrial structure is one of the paradoxes of our times. All vested interests combine to translate the acceptable dictum that all men should have a job, into the quite impossible dictum that all men should have a particular job. It is not therefore surprising that a country which has at most a 25 per cent control of its economic destiny (such is the impact of a high import and export trade on this overcrowded island with its highly developed industrial system) should get into formidable difficulties every few years trying to keep itself viable.

What can be done about it? A quixotish attitude is useless. None of the trade unions, or those well-established professional bodies which now take an active part in negotiating their members' working conditions, will stand idly by in the interests of general economic policy while their members' jobs are put in jeopardy. All will act

long before anyone is hurt. What cannot be altered must be endured. Somehow, viability must be superimposed on deadlock. How is this to be done?

Take operatives first. Here again it is useless to beat our heads against a brick wall, to offer counsels of perfection and wish away the difficulties. Workers do not like moving from one locality to another and management has clearly to give its own company's interests top priority. Breaking down the problem of a lack of skilled men and making men accept jobs in other industries, even in the same locality, must therefore be a matter of training, of making men more flexible in their trained aptitudes. Men must be trained to do more than one job. This need must be written into our basic thinking on training in industry. It carries certain fundamental implications which will be slow to be accepted but which are not impossible of acceptance if we move gradually and tactfully towards them. For example, it involves a blurring of demarcation boundaries in some jobs and a vast speeding up in the apprenticeship systems for craft work.

### Flexible Attitude Needed

At a higher level it will have to be more readily accepted that automation and approximations thereto mean as now a demand for an *élite* of highly qualified men who will have to be trained by the established professions. Such men and women are likely to be somewhat scarce for a long time. Below them, however, there must be trained a large army of workers with limited qualifications but capable of moving between jobs. The professions will have to be both tolerant and helpful in training them. This is not a challenge to the status of the professions, or of the bodies which represent them, but a call for a flexible attitude to the problems of our times.

So far as industry is concerned there must be greater ease of transfer of pension rights and a very big improvement in the amount of information available about salary levels, both between different industries and within industries. The market for executive personnel is not only highly imperfect, it is distorted by lack of price information.

There has been progress in all these directions over the last few years but it has been slow. The pace is set by the rate of technical change in these early years of the atomic age and our pressing balance of payments problems. The challenge of the future, not the accomplishments of the past, is the standard.

# Stockbrokers and the 'Change

## Lord Ritchie's address at London Chartered Accountants' Luncheon

**L**ORD RITCHIE OF DUNDEE, Chairman of the London Stock Exchange, was the guest of honour at a luncheon of the London and District Society of Chartered Accountants on Thursday of last week. Addressing the assembly, Lord Ritchie said:

Ladies and gentlemen, I am afraid that I am going to disappoint you because I have not prepared anything to say to you on the subject of lady members of the Stock Exchange (*laughter*), but it is nice to see some ladies here and sometimes some of us think our lives would be brighter if we saw them daily in our business. I should like to thank you, Mr Chairman, for the honour you have done me in inviting me here, though I feel a little bit alarmed at addressing so large and important a gathering.

On the subject of stockbrokers, I should like, if I may, to begin by quoting to you something which appeared in the *Stock Exchange Gazette* of November 4th last year. The article read:

'The stockbroker of popular imagination wears striped pants (waging a losing battle against a thrusting paunch), a top hat and a puce tan, acquired during many hours lolling at the bar. He has no morals, although, of course, he may take the plate round in church, and no interests other than making money. Though he had a good formal education, he is by no means intellectually bright. His most intelligent act was to marry a wealthy woman; and it is to her and her money that he owes his position in the Stock Exchange.'

I am happy to say that the writer of the article was good enough to add, 'This is, of course, an unbalanced, almost libellous account.'

Now, I am sure that through our public relations efforts during the last twenty years, we have managed to improve the public image of the stock exchange; to explain its position as an institution of national importance for the exchange of shares and for the raising of money for industry and for the Government. The image of the stockbroker, however – and in this context I include the jobber – undoubtedly trails a little behind the corporate image. For instance how

many of you have ever read a book in which a stockbroker was the hero? Doctors, yes. Lawyers, newspaper reporters, perhaps even chartered accountants – but never a stockbroker! The kind of role he plays in a popular novel or a television play is that of the wealthy father of the heiress who runs away with the Chelsea beatnik. (*Laughter.*) The real reason for the

whole tragedy is to be found in his pecuniary interests, take-over bids and business lunches, so that he never has any time to devote to his tragically misunderstood daughter. As for the jobber, the only book that I have ever read in which a jobber figured, the unfortunate man was murdered inside the stock exchange by a poisoned dart flicked at him by a member of the public who managed to get in through the doors – not, I hasten to add, by a broker. (*Laughter.*)

Some fifty years ago Hilaire Belloc wrote a poem about a young man who, having led a wild and extravagant life at Cambridge, was forced to leave suddenly and become a stockbroker:

'There fell upon him such a fate  
As makes me shudder to relate.  
Just in its fifth and final year,  
His university career

Was blasted by the new and dread  
Necessity of earning bread.  
He was compelled to join a firm  
Of brokers – in the summer term!  
And even now, at twenty-five,  
He has to *work* to keep alive.  
Yes, all day long from ten till four,  
For half the year or even more;  
With but an hour or two to spend  
At luncheon with a city friend.'

Now many people are, I am afraid, still under the impression that our members come to their place of business only when something better is not happening like Ascot, Cowes or a Test Match; that they lunch long and heartily each day and go home at three o'clock. (*Laughter.*) But I think the rush of work experienced during 1959 and 1960 and which to some extent is still carrying on has at last, and I hope for ever, exploded the myth of the featherbed stock-



Lord Ritchie of Dundee

broker. Many of my colleagues and their staffs, including my own, are still at work after seven o'clock and very often later on many evenings. The amount of business carried out is steadily increasing over the months and I have an estimate from which it seems that something in the region of 2,000 new investors appear every month. Institutional business is greater than ever. There is, I believe, one pension fund – admittedly a very large one – which has something in the region of a quarter of a million pounds to invest every week; and of course, with every new deal there follows in its wake the complicated paper work which is involved.

As I think you probably all know, members of the stock exchange – members of the London Stock Exchange – do not have to pass any form of examination. As chartered accountants, you will no doubt envy us this privilege; your own long period of study and stiff examination before qualifying are well known. I am sure that some form of professional qualification, possibly based on examination as well as on experience, would do a great deal to raise the status of what we call our profession in the eyes of the public, but perhaps that is not a strong enough reason alone for instituting examinations. Stockbroking, and possibly even more, stockjobbing is a profession in which 'flair' counts for a great deal more, and academic qualifications perhaps for rather less. Here I should perhaps add that I give – and my Council gives – very full support to the courses which are arranged by the City of London College, both for junior and senior stock exchange clerks. Many firms are not at present able to take nearly enough advantage of this useful opportunity for their clerks owing to pressure of business. The honesty, and also the integrity, of our members is, of course, of prime importance and above all the suitability of brokers to deal for and advise the public.

### Advice to the Public

Clearly, I think, the giving of advice to the public is the broker's most important and most difficult task. And here it is that to some extent the difference seems to me to lie between our job and yours. You are concerned mainly, I imagine, in giving advice in connection with fact. We are concerned in dealing with past history and in trying to forecast the future; and you cannot pass an examination on that. The broker is expected to know something – or at least to pretend to know something – and give information about a great many of the 9,500 securities which are quoted. I believe brokers have often been accused of knowing the price of everything and the value of nothing. (*Laughter.*) But during the many years that I have been a member of the stock exchange, a great change has taken place which I think none of us could have foreseen at the time I first joined. Clients today demand accurate information, not vague conjecture, about securities; and this demand has brought about the establishment of statistical and research departments in an increasing number of our firms.

In the main, the men in these departments do not

go on to the floor of the House but are engaged the whole time in assessing past trends and future prospects – in fact the real value that lies behind the securities about which their colleagues will be giving advice. They are also employed in preparing detailed circulars for distribution to their firm's clients. To sum up that point, I think it is true to say that we have very few of the outward trappings of a 'profession' and yet daily we are growing more professional.

I returned fairly recently from a visit to the New York and to two of the Canadian stock exchanges, and I was much impressed by their methods; but as I have said before, I came back convinced that our system of dealing – the jobbing system, as we call it – is the best in the world and certainly it is the best suited to our own methods in this country. It would not be possible for us to deal as quickly and as fairly in the very large number of stocks – a very much larger number, nearly nine or ten times as many, than there is in New York – if it were not for the existence of the jobbers.

### Jobbers' Function

Briefly, as you probably know, the jobbers are divided into firms specializing in certain groups of shares and dealing very often in competition with one another. They may only deal with brokers or with one another and they are prepared to buy or sell shares continuously throughout the day in the stocks in which they specialize. In other stock exchanges, bargains as a rule must be matched as they occur or are dealt in stock by stock, by some sort of call-over system and, of course, in stock exchanges in other countries there is a considerable degree of government control from which, I am happy to say, we are so far entirely free.

It is sometimes believed that members of the stock exchange are wrapped up in a kind of cocoon of jargon and complicated procedure which is quite incomprehensible to the public. Now, my predecessor, Sir John Braithwaite, waged a long and vigorous campaign against jargon in business and I have always been a whole-hearted supporter of his in this matter. I feel that we are beginning to emerge from this and to see the fruits of this campaign. Great steps have been taken to make the annual reports and accounts of companies more attractive and more easily understandable by the shareholder, and we do everything we can to encourage more frequent progress reports by companies. We would, indeed, like to see this habit adopted by many more. We know that there are technical objections, but because a full and complete picture cannot always be given, there is no reason to suppose that an outline sketch is not a very great help.

Now with regard to the question of simplification of procedure, you will know probably that we have recently altered our brokers' scales of commission. We thought it rather complicated where there was 3d a share on so and so and 3s 4d a share elsewhere, so we now charge a flat rate of 1½ per cent and I think by and large that alteration has been very well received. We have also recently – or, I should say, the City has, because we were in collaboration with many interests

in the City and the business world generally – issued a report recommending a great simplification of the transfer procedure. At present, you know, both buyers and sellers have to sign a form of transfer and both signatures have to be witnessed, even though they may be witnessed in the stockbroker's office some days after they have been signed.

Our proposal now is that the seller of stocks and shares would only have to sign one document, even if his shareholding has to be split among a number of buyers; his signature would not need to be witnessed and the buyer would not have to sign the form of transfer at all. We aim to continue the simplification of our business for the benefit of the general public who, after all, are our life-blood and we aim to do this in every possible way.

May I just recapitulate for a moment on the subject of the market and its freedom. I have one other quotation for you; it is from an article which appeared in the *London Spy* of February 1700:

"The stockjobber always labours under those twin passions, hope and fear; rising one day and falling the next. Like mercury in a barometer, he cannot arrive at that pitch of wisdom as to know one day what he shall be the next. He is never under the prospect of growing rich, unless at the same time under the danger of growing poor."

Now, jobbing today can still be a very risky business. The jobber's living depends, as you know, on the difference between the price at which he buys shares and the price at which he sells them. This difference or 'turn' as it is sometimes called, leads to the

belief that the jobber gets an automatic cut from every bargain which takes place in the market. Nothing is further from the truth. All too frequently prices move quickly either up or down, and the jobber is caught on the wrong foot and makes a loss. The fact that jobbers are prepared, in dealing, to take these risks results in the provision of a speedy and uninterrupted service for dealing in the market and an essential cushion against violent fluctuations in prices.

May I just say this in conclusion. Arising out of several fairly recent experiences of take-over bids where advantage would appear to have been taken (possibly by those with pre-knowledge of the bid), not only are the general public dealing with the shares quite blind but the jobbers also have no clue as to what is going on and they also are dealing quite blind. They may thus lose a great deal of money in the course of their normal business of running the market and this to my mind is one of the real menaces to the market and its freedom. And this market and its freedom are of the greatest possible importance to everyone – not least to those who sometimes I fear take what is an unfair advantage of it.

The risk of losing money, to a jobber, is an occupational risk, as I have already quoted from the *London Spy*; but to lose money dealing as it were with your hands tied behind your back because somebody else knows something and you do not is, to my mind, a case where an unfair advantage is being taken and if it is complained that the market narrows and prices widen, then I would say that those who abuse its facilities have only themselves to blame.

# The Accounting World

## TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

### SOUTH AFRICA

#### Decimal Coinage in Operation

LAST Tuesday was the official day for the introduction of decimal coinage in the Union of South Africa, South-West Africa, Bechuanaland, Swaziland and Basutoland, and on that day the switch-over from £ s d to Rand/cents commenced. There will, however, be a dual coinage system during the next eighteen or twenty months, to enable the consequent vast reorganization to take place throughout the country.

The Standard Bank of South Africa Ltd has published a booklet<sup>1</sup> which should prove a useful guide to all those interested in the operation of the new system. The information given includes details of the new currency and the new postage stamp denominations, as well as the effects of the change-over on legal contracts and on companies' memorandums of association.

The Decimalization Board, which was set up under the Decimal Coinage Act, No. 61, 1959, appreciate

that inconvenience may be caused to businesses while the conversion of accounting machines to the new system is being effected; they have, therefore, formulated a regional conversion plan under which cities will receive priority (rural areas being rated lowest on the list) and will be loaned machines during the conversion of their existing equipment.

### CANADA

#### Good Planning

THE two latest brochures to be sponsored by the magazine and publications committee of The Canadian Institute of Chartered Accountants deal with management planning and with estate planning.<sup>2</sup> In each instance, the contents comprise a symposium

<sup>1</sup> *Notes on the Introduction of Decimal Coinage in the Union of South Africa*. Copies on request from The Standard Bank of South Africa Ltd, 10 Clement's Lane, London, EC4.

<sup>2</sup> *Management Planning, Principles of Estate Planning*. The Canadian Institute of Chartered Accountants, 69 Bloor Street East, Toronto, Ontario. \$2 each.

of articles on various aspects of the subject by different authorities. All the articles have previously appeared in *The Canadian Chartered Accountant*.

The brochure on management planning is a logical successor to the one entitled *The Function of Management* issued a year ago and its purpose is to throw light on some of the methods by which co-ordinated plans may be devised and used to guide the business under scrutiny to financial success. There are contributions on planning for finance, marketing, sales forecasting, products, production, materials and manpower, each written with careful regard to the context and design of the collection as a whole.

Having amassed a reasonable and respectable fortune by careful planning and despite the depredations of taxation, the business man's next problem is to conserve it against the further depredations of taxation on his own demise. The second brochure is intended to guide his team of professional advisers – accountants, solicitors and insurance agents among others – to this end. The topics dealt with include the impact of tax on *inter vivos* gifts, the functions of a trust, the uses of life insurance schemes and 'foreign' considerations in estate planning – foreign, that is, to Canada.

## UNITED STATES

### Techniques in Management

PLANNING, communication, and financing for research and development will be the theme of the Sixth Institute on Research Administration of the American University, Washington, D.C., to be held from April 24th to April 28th.

Sponsored by the School of Government and Public Administration of the American University, the institute is designed to report and evaluate current thinking and methods for achieving maximum productivity. Topics for discussion will include science versus administrative planning; relationship of planning to creativity; techniques of planning for research and development; cost evaluation; budgeting for research and optimum use of electronic computers for research and development.

Additional information may be obtained from Dr Lowell H. Hattery, Director, Center for Technology and Administration, The American University, 1901 F St, N.W., Washington, 6, D.C.

## BELGIUM

### Adding Machines as Universal Calculators

SOME anxiety has been experienced in Britain over the possible consequences of decimalizing the currency, in terms of replacing adding and other machines, but even machine users in decimal countries have non-decimal problems. A recent issue of the *Bulletin de la Compagnie des Experts Comptables de Belgique* contained an article explaining how decimal machines can be utilized in a number of different

calculation problems involving non-decimal weights and measures.

In checking stock, for example, the auditor may encounter tins in bulk cases of 96 and also loose on shelves. If one case and 62 tins are to be added to five cases and 75 tins, the adding machine register may be used as follows:

	cases	tins	
	ooo,ooo		
The addition proceeds:			
	1,062	+	
	5,075	+	
	6,137	ST	
less 96 tins	..	96	–
plus 1 case	..	1,000	+
	7,041	*	= 7 cases 41 tins

But 'less 96 plus 1,000' is the same as 'plus 904', so that the sum can be restated:

1,062	+
5,075	+
6,137	ST
904	+
7,041	*

The figure 904 transfers tins to cases; if the cases contained 48 tins, the transfer figure would be 952, if 24, then 976.

Cigarettes to be counted in cartons may be dealt with in the same way, when the transfer figure is 980 for packets of twenty.

Where the number of tins is greater than in the example given, the transfer number is added until the tins result is less than 96; this may involve frequent use of the sub-total key as there is no visual control in such machines other than print-out.

Subtraction is done in the same way. Assuming cases of 48 tins each, and a stock of 15 cases 12 tins, then if 29 tins are withdrawn, the calculation is as follows:

15,012	+		15,012	+
48	+		952	–
1,000	–	or		
14,060	ST		14,060	ST
29	–		29	–
14,031	*		14,031	*

or 14 cases 31 tins.

The rule is, add the transfer number when adding, subtract it when subtracting.

Finally, for auditing which takes place during the year following the conversion of all keyboards to a decimal system, the example below might be useful.

£	s	d	
ooo,	ooo,	ooo	
14,	015,	011	+
27,	004,	003	+
142,	017,	009	+
183,	036,	023	ST
	988	+	Transfer figure pence
183,	037,	011	ST
	980,	ooo	+
			Transfer figure shillings
184,	017,	011	*

Again, the transfer figures would be subtracted in a subtraction sum.

# The Institute of Chartered Accountants in England and Wales

## SUPPLEMENTARY MEMORANDUM TO THE

# Company Law Committee

*Reproduced below is the text of a supplementary memorandum submitted by the Institute to the Jenkins Committee. The Institute's principal memorandum to the Committee was reproduced in our issues of July 2nd, 9th and 16th, 1960.*

### Head No. 21 ACCOUNTS

*The first two sections of this supplementary memorandum relate respectively to the share premium account and the use of pre-acquisition profits of subsidiaries. In certain circumstances these two matters are closely related. The following paragraphs indicate that as a general principle the share premium account should be regarded as being in the nature of contributed capital and the pre-acquisition profits of subsidiaries should not normally be regarded as available for revenue purposes from the standpoint of the holding company. Experience shows, however, that there are circumstances in which it is appropriate to depart from this general principle and the difficult problem for consideration is to determine who should be responsible for authorizing the departure. The conclusion reached by the Council is that this authority should rest with those who are responsible for the affairs of the company, that is to say the directors and shareholders, with the additional safeguard that the auditors of the company should also be satisfied with the nature and extent of the departure.*

#### Share premium account

\*267 It is an accepted accounting principle that money contributed to a company in consideration of an issue of its shares is equally a capital contribution whether it represents the nominal amount of the share capital issued or partly that amount and partly a sum described as a premium. Were it not that under United Kingdom law every share has a nominal par value, accounting principles would require the whole contribution to be taken to share capital account. The use of a share premium account in conjunction with the share capital account recognizes this principle and enables the whole capital contribution to be distinguished from reserves arising in the ordinary course of business, in particular from amounts which are available for dividend.

268 It is also an accepted accounting principle that moneys contributed as capital should not be returned to the shareholders by way of dividend, though prior to the enactment of the Companies Act, 1947, such a return was permitted by law except in companies whose own articles of association prohibited it. The present law on the subject is contained in Section 56 of the Companies Act, 1948.

269 Section 56 provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares must be transferred to a share premium account which (with certain limited exceptions referred to in paragraph 274 below) is subject to the provisions of the Act relating to the

reduction of capital. No difficulty arises where shares are issued for cash. The amount to be taken to the share premium account is the amount of the cash premium.

270 Where, however, shares are issued for a consideration other than cash it is necessary to decide whether the consideration includes a premium. The view can be taken that as such a consideration has money's worth a proper value should be placed on the consideration and if the value exceeds the nominal amount of the shares issued then the excess should be taken to the share premium account. This would be in accordance with sound accounting and appears to be required by the terms of Section 56.

271 While some lawyers take that view others have a different opinion. Some have expressed the view that shares acquired in exchange for an issue of shares can lawfully be brought into the accounts of the issuing company on the basis of the nominal amount of the shares issued and therefore no premium arises, notwithstanding that the shares acquired have a market value greatly in excess of the nominal amount of the shares issued or that the shares of the company are themselves quoted in the market at a price above their nominal amount.

272 In this connection it appears that different lawyers hold different opinions about the effect of the decision in *Head (Henry) & Co Ltd v. Ropner Holdings Ltd* ([1952] 1 Ch. 124). One view is that the case established that where shares are issued for a consideration other than cash and the value of the assets acquired is greater than the nominal amount of the shares issued then the excess is a premium to which Section 56 applies. Another view is that the case did no more than establish that if the assets acquired are brought into the accounts at a value in excess of the nominal amount of the shares issued then the excess must be treated as a share premium; but that the case did not establish that it is necessary in law to bring them into the accounts at such a value. It is highly desirable that the law should be clarified.

273 In view of the differences of opinion among lawyers as to whether a premium account should be established where there is an exchange of shares the Council has considered whether it is proper to apply to such transactions any accounting principle different from that applicable to an issue of shares for cash. It is difficult to put forward tenable proposals to that effect and this leads to the conclusion that the principle indicated in paragraph 270 above (placing a proper value on the consideration received) should always be applied and if the value of the consideration exceeds the nominal amount of the shares issued then the excess should be treated as share premium.

274 The restrictions on the use of the share premium account should, however, be reconsidered. In paragraph

\*The paragraph numbers of this supplementary memorandum continue from the end of the first memorandum dated June 1st, 1960.



139 of its first memorandum the Council referred to Section 56 (2) which permits the share premium account to be used for writing off preliminary expenses and the expenses of any issue of shares or debentures; and in paragraph 140 the Council submitted that it should be made clear that this includes the writing off of any stamp duty paid on the creation of share capital or loan capital. This principle of permitting the premium to be applied in writing off certain 'intangibles' could, with suitable safeguards, properly be extended so as to enable it to be applied to eliminate or reduce the 'goodwill element' arising on the acquisition of a subsidiary, or of a business, by means of an issue of shares.

275 The use of the share premium account in the manner suggested in the preceding paragraph would have the advantage of enabling a company to eliminate from its balance sheet or its consolidated balance sheet an intangible item which may have no practical significance where it is balanced on the other side by an item of share premium. The proposal would not operate to relieve the profit and loss account of charges which ought properly to be borne by that account.

276 The directors of a company have a statutory duty to ensure that the annual accounts show a true and fair view of the state of the company's affairs; and the auditors have a statutory duty to report whether in their opinion the accounts so comply with the Act. In discharging these statutory duties the directors and the auditors have to exercise their judgment on a great many matters and it is considered that the appropriate treatment of a share premium arising on an exchange of shares, or on an issue of shares to acquire a business, should be one of those matters. The submission made below is on the basis that the law should be amended to achieve that position.

#### *Submission*

277 Section 56 should be amended in the following respects:

- (a) *it should make clear that whatever the nature of the consideration received for an issue of shares, i.e. whether cash or other than cash, a proper value should be placed upon it by the issuing company. If this value exceeds the nominal amount of the shares issued the excess should be treated as a premium. The proper value should be determined for this purpose by reference to all relevant information*
- (b) *except as now specified in the section, the amount standing on share premium account should not be reduced except for the following purposes:*
  - (i) *as submitted in paragraph 140 of the Council's first memorandum, the section should make clear that the share premium account may be applied to write off any stamp duty paid on the creation of share capital or loan capital*
  - (ii) *subject to the conditions specified in (c) below, to reduce or eliminate the amount of the 'goodwill' item which would otherwise be included in the accounts of the company and/or its group accounts as a result of the acquisition, in exchange for the issue of shares to which the premium relates, of a business or goodwill or of interests in a subsidiary; and to make a corresponding reduction, when and to the extent that it becomes necessary, in the amount at which*

*the shares in the subsidiary are carried in the books of the company. For this purpose 'goodwill' includes any intangible item arising in consequence of the treatment of pre-acquisition reserves of the subsidiary as revenue reserves for the purpose of the holding company's group accounts (see paragraph 286)*

(c) *any reduction of the share premium account for the purpose referred to in (ii) above shall be subject to all the following conditions:*

- (i) *the right to make such a reduction shall have been reserved in the terms of issue of the shares at a premium (except that there should be appropriate transitional exemption for the benefit of companies which have already issued shares at a premium without reserving such right); and*
- (ii) *the reduction shall be authorized by specific resolution of the shareholders; and*
- (iii) *the accounts shall disclose the manner in which the premium has been applied and shall contain statements by the directors and by the auditors that in their opinion, having regard to all relevant circumstances, the treatment adopted is consistent with the presentation of a true and fair view of the state of the company's affairs.*

#### **Use of pre-acquisition profits of subsidiaries**

*Note:* In paragraphs 141 and 142 of its first memorandum the Council dealt with what appears to be a drafting error in paragraph 15 (4) of the Eighth Schedule. The paragraphs below relate to the general question of pre-acquisition profits.

278 Where a company purchases shares in another company to an extent sufficient to make that other company its subsidiary, the asset which the holding company acquires consists of shares in the subsidiary but those shares represent the whole of the net assets of the subsidiary (or the appropriate proportion thereof where there are minority interests). The holding company's real investment is therefore in the underlying assets of the subsidiary. If the subsidiary declares a dividend out of profits earned prior to the acquisition of the subsidiary by the holding company the dividend received by the holding company is in effect a return of part of the capital investment and should be applied by the holding company in reduction of the cost of the investment.

279 As a matter of accounting principle, therefore, the reserves of a subsidiary on the date as from which the shares in the subsidiary were acquired should be treated by the holding company as being of a capital nature and not normally be brought into account in determining the profits which in the hands of the holding company may properly be regarded as available for distribution to its shareholders. The Committee on Company Law Amendment recommended in paragraph 123 of its Report (Cmd. 6659) that this principle should be specifically incorporated into company law. The section proposed by that Committee was not adopted and there is doubt as to how far paragraphs 15 (4) and 15 (5) of the Eighth Schedule to the Companies Act, 1948, give effect to the principle.

280 Paragraphs 15 (4) and 15 (5) of the Eighth Schedule relate to the statement which is required to be annexed to the balance sheet where group accounts are not submitted. For that purpose paragraph 15 (5)

prohibits (subject to a specified exception) the treatment of pre-acquisition profits or losses as being revenue profits or losses in the accounts of the holding company. The paragraph also includes in parentheses the words 'for that or any other purpose'. The meaning of these words is not clear. Some lawyers consider that they give effect to the principle recommended by the Committee on Company Law Amendment but other lawyers do not accept that view.

281 The Council considers that the principle referred to in paragraph 279 above should be embodied in company law and should not be subject to any exception where the shares in a subsidiary are purchased for cash or other assets of the holding company or in exchange for an issue of debentures or other securities which create a liability of the holding company. Where, however, the shares in a subsidiary are acquired in exchange for an issue of shares of the holding company or such shares together with cash or other assets additional considerations arise. The effect of such an exchange is that the shareholders in the subsidiary become instead shareholders in the holding company and it is appropriate, subject to certain safeguards, that the parties to the exchange are agreeable the holding company should be permitted to treat the pre-acquisition reserves of the subsidiary as being of a revenue nature from the standpoint of the holding company.

282 This is a matter which concerns only the shareholders and not the creditors of either company. Any distribution by the subsidiary out of pre-acquisition reserves would not exceed the amount which it could have distributed before or at the time of the acquisition; and the creditors of the subsidiary are unaffected by whether the holding company treats the dividend received as being revenue or capital. Similarly the creditors of the holding company have never had an interest in the reserves of the subsidiary and where the acquisition is made in exchange for an issue of shares by the holding company they are not prejudiced by the way in which the holding company deals with the dividend received.

283 Paragraphs (a) and (b) of paragraph 15 (5) of the Eighth Schedule already permit the pre-acquisition reserves of subsidiaries to remain (for the purpose of that paragraph) as revenue reserves when there is a transfer of ownership of a subsidiary within an existing group, that is to say where a subsidiary acquires shares in a fellow subsidiary either from the holding company or from another fellow subsidiary. There should be similar preservation of the revenue nature of reserves where a reorganization is brought about by the formation of a new holding company which is superimposed on an existing company. Thus an existing company (whether a holding company or not) may find it advantageous to reorganize its affairs so that it becomes a subsidiary of a new holding company which issues its own shares to the shareholders in the existing company in exchange for their shares therein. After such a transaction there would be no change in the identity of the shareholders or their interests in the group.

284 There is a great variety of other circumstances in which exchanges of shares occur with or without additional consideration in the form of cash or other assets. A new company may be formed which issues its shares to the shareholders of two or more other companies in exchange for their shares in those companies, so that after the transaction the shareholders in the holding company consist only of the persons

who were the shareholders of the acquired companies. The parties to the scheme may consider that its acceptance requires the inclusion of a condition that to a specified extent the revenue reserves of the subsidiaries at acquisition should be available for revenue purposes of the holding company in order that they may continue after the exchange to enjoy what they regard as reasonable cover by way of revenue reserves for their future dividends. An existing company may take over shares in several other companies, or one company may acquire the shares of another, by means of a transaction involving exchanges of shares. The amount, if any, of the holding company's revenue reserves which were attributable to each of its shares before the acquisition under such a scheme will necessarily be reduced by the admission of new shareholders to participate in those reserves unless a corresponding amount of the subsidiary's revenue reserves at acquisition is available for treatment by the holding company as revenue after acquisition. There may be circumstances in which the treatment of a subsidiary's reserves at acquisition as being available for revenue purposes to the holding company after acquisition would be entirely appropriate; in others the appropriate course would be to treat the reserves as capital from the standpoint of the holding company. The appropriate treatment of the revenue reserves of the companies concerned can be determined only after consideration of the precise nature of the transaction, the value of the shares involved, the relative interests of the shareholders of the companies before and after the exchange and the conditions on which the exchange is accepted by them.

285 The Council considers that it is impracticable to attempt to legislate for all the different circumstances and that accordingly there should be suitable provisions under which appropriate treatment can be decided upon in relation to the facts of each case. The directors of a company have a statutory duty to ensure that the annual accounts show a true and fair view of the state of the company's affairs as on the balance sheet date and a true and fair view of the profit or loss for the financial year; and the auditors have a statutory duty to report whether in their opinion the accounts so comply with the Act. The Council considers that the appropriate treatment of pre-acquisition reserves should be decided in the light of these statutory requirements. The submissions below are made on this basis with the further safeguards that the treatment should accord with the conditions on which the shares are acquired and that a specific resolution of the shareholders should be required on each occasion when pre-acquisition reserves are actually applied by the holding company for purposes for which they would only be available if they were revenue reserves from the standpoint of the group.

#### *Submission*

286 *Responsibility should be placed upon the directors and shareholders to ensure (and upon the auditors to satisfy themselves) that the following rules are complied with by a holding company in relation to its treatment of the pre-acquisition reserves of its subsidiaries which are attributable to its holdings of shares in those companies. By 'pre-acquisition reserves' are meant reserves of a subsidiary which were in existence in the subsidiary at the date or respective dates as from which the shares in the subsidiary were acquired by the holding company:*

*(a) pre-acquisition reserves of a subsidiary should*

be treated by the holding company as being of a capital nature from its standpoint except to the extent that other treatment is permitted in the circumstances and to the extent mentioned in (c) to (f) below

- (b) *treatment of a reserve as being of a capital nature means for this purpose that any dividend declared or paid out of such a reserve by the subsidiary to the holding company should be treated by the holding company as not being available for distribution in dividend to its own shareholders and that in any group accounts or equivalent statement the reserve should not be treated as a revenue reserve nor used to relieve a post-acquisition loss of a subsidiary*
- (c) *where shares are acquired by a holding company in a subsidiary by means of an exchange of shares (with or without additional consideration in the form of cash or other assets or the assumption of a liability by the holding company) the pre-acquisition reserves of the subsidiary which are available for distribution by the subsidiary need not be treated by the holding company as being of a capital nature from its standpoint to the extent that the right of the holding company to treat them as revenue after the acquisition is reserved in the conditions on which the shares are acquired and always provided that:*
  - (i) *on each occasion when pre-acquisition reserves of a company are effectively used for revenue purposes by a holding company of which it is a subsidiary such use is authorized by a specific resolution of the shareholders of the holding company; and*
  - (ii) *where pre-acquisition reserves of a subsidiary are included in the group accounts as or among revenue reserves, the accounts contain a statement that any use of those reserves for revenue purposes requires authorization by specific resolution of the shareholders of the holding company and the amount of such reserves which are so included should be stated; and*
  - (iii) *the accounts contain statements by the directors and by the auditors that in their opinion, having regard to the amalgamation of the interests of the companies concerned and all relevant considerations, the treatment of pre-acquisition reserves as being of a revenue nature from the standpoint of the holding company is fair and reasonable in the circumstances and is consistent with the presentation of the true and fair view required by the Act*
- (d) *there should be appropriate transitional exemption for the benefit of companies which have already acquired subsidiaries without reserving, as required by (c) above, the right to treat pre-acquisition profits as revenue*
- (e) *the rule in (a) above should not apply to re-arrangements of shareholdings within a holding company group*
- (f) *as part of the terms of the transaction under which shares in a subsidiary are acquired it should be permissible to specify that any amount properly set aside by the subsidiary in respect of future tax shall, for the purpose of the transaction, be treated as a liability of the subsidiary irrespective of the*

*description given to the amount in the balance sheet of the subsidiary.*

#### Movements on capital account

287 The Act does not require the annual accounts to show changes which have taken place in the capital structure of a company since the previous accounts and it is desirable that this information should be disclosed.

##### Submission

288 *Where there has been a change in the share capital of a company (for example an increase of authorized capital or an issue of further capital for cash or a capitalization issue or an issue in exchange for shares in another company) the changes since the previous balance sheet date should be disclosed in the annual accounts.*

#### Stock-in-trade and work in progress

289 In most businesses the amount carried forward for stock-in-trade and work in progress as on the balance sheet date has a material bearing on the amount of profit or loss for the period ended on that date. The basis normally used to determine the amount is cost less any part thereof which properly needs to be written off at the balance sheet date. There are, however, various methods of computing cost and alternative methods of arriving at the amount, if any, to be written off and there are various special bases which are regarded as appropriate in some businesses. Circumstances vary so widely that no one basis is suitable for all types of business nor even for all undertakings within a particular trade or industry.

290 It would therefore be undesirable to attempt to lay down by statute any rules governing the computation of the amount to be carried forward for stock-in-trade and work in progress. Nevertheless the overriding consideration is that the accounts should give a true and fair view and it is therefore important that the basis adopted should be used consistently from period to period and should be appropriate to the nature and circumstances of the business and that the accounts should disclose adequate information. Accordingly the following submission is made and by way of amplification reference is made to the Council's Recommendation No. 22 on *Treatment of Stock-in-trade and Work in Progress in Financial Accounts*. (That Recommendation is one of the Council's series of Recommendations on Accounting Principles. The full series has already been submitted to the Company Law Committee.)

##### Submission

291 *The Companies Act, 1948, should be amended so as to provide that:*

- (a) *where the amount carried forward for stock is material in relation to either the trading results or the financial position the accounts should indicate concisely the manner in which the amount has been computed; if that is not practicable the accounts should contain a note which makes a declaration to that effect and states whether the amount has been determined for the whole of the stock at the balance sheet date on bases and by methods of computation which are considered appropriate in the circumstances of the business and have been used consistently*
- (b) *where there has been a change in the basis or method of computation the effect if material should be disclosed as an exceptional item in the profit and loss account or by way of note.*

# Weekly Notes

## Cost Accountants' Examinations

IN the December 1960 examinations of The Institute of Cost and Works Accountants, a total of 1,829 candidates sat for the whole or part of the Final examinations. Of these, 309 successfully completed the examinations, 51 passed Part A only and 292 passed Part B only.

Mr Walter Teutsch, of Tel Aviv, gained First Place and was awarded the S. Laurence Gill Prize. The Leverhulme Prize for Cost Accountancy was won by Mr Christopher William Redman Geering, A.C.A., of Ashford, Kent, and the Donald L. Moran Prize for Management - Factory and Distribution, was won by Mr John William Baxter, of London.

In the Intermediate examination there were 2,954 candidates, of whom 95 passed Parts I and II; 385 completed their Intermediate by passing Part II, and 447 passed Part I only. The First Place and George Russell Memorial Prize were won by Mr Rangarajan Ramachandran, of Calcutta.

The names of the successful candidates who completed the Final examination, together with a full summary of results, appear elsewhere in this issue.

## Valuing Shares of Private Companies

OF all the factors that influence a purchaser of shares in a private company, it is probable that management is the most important, said Mr T. A. Hamilton Baynes, M.A., F.C.A., in a paper entitled 'Share Valuations: Why and How?' presented at a meeting of the Royal Institution of Chartered Surveyors in London last Monday.

Mr Baynes said that in a prospectus, the careful investor will study the names of the directors, their interest, the length of their service with the company, and any service agreements which will ensure their continued service. Small private companies had less opportunity to build up executives for the future, and prosperity often depended on the few individuals in charge at the time. The values of assets in balance sheets could be misleading, but the profit and loss account was a most important document; points that should always be studied were comparisons with the previous year, the proportion of profits to be distributed, any exceptional income or expenditure and, finally, the adequacy of depreciation.

As an auditor had to satisfy himself that the accounts were 'true and fair', particular attention should be given to any deviation from the standard form of wording in his report.

Other factors to consider in valuing shares in a

private company were whether the industry as a whole was expanding or contracting or merely unpredictable; whether the trend was for the profits of the company to have increased or decreased over the previous three or five years; and the terms of the restrictive clauses contained in the articles of association of the company.

## Industrial Trends

THE latest industrial trends inquiry by the Federation of British Industries shows a combination of falling orders with rising stocks and rising costs. The Federation comments that although the general mood is of lessening optimism the detailed expectations give some hope that this trend may be halted.

Over the whole field of the inquiry, 31 per cent of the respondents reported that total new orders were down compared with four months ago, while only 26 per cent reported a rise in new orders. However, this decline in orders applies mainly to consumption goods in the home market. Export orders are reported on balance to have shown no change, while orders for capital equipment are still rising.

Perhaps the most serious feature of the inquiry is that the combination of higher real wages and the rising prices of some materials and fuels, coupled with a failure of output to expand to any substantial extent, has led to the biggest rise in costs per unit which has been recorded since the inquiries began three years ago.

Among the more encouraging features, however, is a trend towards a continued rise in intended investment in plant and equipment. In fact, plans for industrial expansion do not yet appear to have been affected by the weakening in order books, though if the latter continues for very much longer it may be doubted whether some of the existing extension plans will in fact proceed. The two most important factors likely to limit output over the next four months are seen as shortage of orders or sales and shortage of skilled labour. Hardly any of the respondents expect to be limited by shortage of materials or components, of finance or of plant capacity.

## The Royal Commission on the Press

THE decision to set up another Royal Commission on the Press has in general received a reserved welcome, though there is a tendency to doubt whether it can disclose any basic facts behind the recent trend towards Press amalgamation which are not already known. The proposed terms of reference are to examine the economic and financial factors affecting the production and sale of newspapers, magazines and periodicals, including manufacturing, printing and distribution costs; efficiency of production; and advertising and other revenue including revenue derived from interests in television; and to consider whether these factors tend to diminish diversity of

ownership. In addition, the Jenkins Committee on Company Law has been asked to deal with the suggestion that, in take-over bids, a minimum proportion of the consideration offered should be in cash, and Sir Harry Pilkington, Chairman of the Committee on Broadcasting, has been asked to advise on the general question of the relationship of the Press to television and the more specific question of changes in effective control of television programme companies as a result of mergers or take-overs.

Probably the best augury for the success of the Royal Commission is the widespread anxiety regarding the effects of Press amalgamations, not least among the trades union concerned. If all parties concerned can be persuaded to take an objective view of the factors leading to the present situation it may be possible to outline the steps required and, of greater importance, secure their adoption, in order to ensure the survival of an adequate number of independent papers and periodicals.

### Road and Rail Transport in 1960

**S**UFFICIENT statistical information regarding goods traffic in 1960 is now available to enable an estimate to be made of the relative volume of goods carried by road and rail last year, and the change in this ratio since 1958. The basic information for this estimate is the monthly index of ton-miles of inland goods transport, published by the Ministry of Transport, applied to the estimate of road and rail traffic made by the Ministry for 1958.

Largely as a result of the rather depressed conditions in the coal and iron and steel industries, the volume of goods carried by rail, measured in ton-miles in 1959, was some 3 per cent below that for 1958. The volume of road traffic, which is, of course, not so closely tied with the welfare of these two industries, rose by 7 per cent. Both forms of transport showed an increase in 1960, and when the full figures for the year are available they will probably show that goods carried by rail have more than recovered from the setback of 1959 and may have been between 1 and 2 per cent higher than in 1958. The volume of goods carried by road has continued to increase rapidly, possibly by a further 7 per cent.

In the study *The Transport of Goods by Road* published in July 1959, the Ministry of Transport estimated that, in 1958, out of 41.5 thousand million ton-miles of inland transport, 23.1 thousand million ton-miles, or nearly 56 per cent, were carried by road. Applying the provisional indices for 1960 to these basic figures it seems that the volume of inland goods transport in that year was 8 per cent above the 1958 level, whilst the share carried by road grew from 55½ per cent to 58½ per cent. How rapidly the situation has changed over the past eight years is shown by the results of the first post-war analysis carried out by the Ministry of Transport. This related to 1952 when 46 per cent of inland goods transport was carried by road and 54 per cent by rail.

### The Outlook for Steel

**S**EVERAL important steel companies have announced a reduction in output over the next few weeks. In view of the recession in the motor vehicle and domestic appliance industries it is not surprising that companies such as the Steel Company of Wales and John Summers should be affected, but recently South Durham Steel and Iron had to give notice to 114 workers due to a fall in demand for large pipes by the gas and oil industries.

In his statement at the annual general meeting, the chairman of Colvilles said that careful consideration must be given to the warning that steel capacity may have been expanded too rapidly. He said it was significant that in both the United States and on the Continent there is growing uneasiness that the expansion of capacity has overtaken rather too rapidly the expansion in demand and that productive capacity in excess of demand had already been brought into existence.

In this country, reductions in output are probably due mainly to temporary factors and it is a hopeful sign that some motor manufacturers are already beginning to increase their production schedules for the first time since the recession began last autumn. Output of the engineering industry is continuing to expand and though there is likely to be some fall in demand for shipbuilding, it does not seem probable that the short-time working already announced pre-sages any general fall in demand.

### New Departures in Census Taking

**A**S Sunday, April 23rd, approaches, more and more will be heard of the arrangements for carrying out the sixteenth population census in Britain, but this should not debar us from taking an early look at the official plans. This will be the first census in which part of the information sought will be obtained from a sample only of householders, although it will be recalled that much preliminary information from the 1951 census was obtained by an examination of a one per cent sample of the census returns. Part 4 Vol. 123 of the *Journal of the Royal Statistical Society*, just issued, includes a general analysis of the changes which will be incorporated in the 1961 forms, and a paper by Mr B. Benjamin, of the General Register Office, on 'Statistical problems connected with the 1961 population census'.

Most of the questions proposed for 1961 will be on the lines that have been followed before, but there will be some new ones. However, the large majority of householders, whose duty it is to complete the returns, will have less to do than in 1951. This is because some of the questions are contained in a special schedule which will be delivered to one householder in ten. The questions included in the special sample schedule relate to occupation and nature of employment, employer's name and place of work, age at which full-time education ceased, number of hours worked if working part-time, change of resi-

dence since April 1960, and qualifications in science and technology.

Mr Benjamin gives a fascinating account of the sampling techniques to be adopted to ensure that the sample is as random as it can be made, and that it represents an exact one-tenth of the total forms issued. These techniques are too complicated to describe here. Suffice it to say that the allocation will be made, in effect, by the headquarters census office, and the enumerator will not know until the moment of delivery whether a particular family is to receive a sample schedule, nor will any family be able to antici-

pate the receipt of a sample schedule. In the case of institutions, hotels, and the like, a line sample will be employed, and a sample return will be required for each name which is written on a specified line of the institutional return.

The question on qualifications in science and technology is an interesting innovation. Presumably it is intended to provide information on the proportion of persons with such qualifications who are not working, or who are working in industries and services not covered by the special inquiries conducted by the Ministry of Labour in 1956 and 1959.

## *This is My Life . . .*

by An Industrious Accountant

### CHAPTER 64

THE ancient Romans used to claim that lightning from a clear sky presaged disaster ahead, and it's remarkable how trouble can come suddenly like a bolt from the blue and how easily things go wrong. We had a regrettable example last week.

It started in our canteen. We were enjoying lunch in the railed-off senior section, sitting round our table for eight, when the sales manager raised a query. He had been served with a pork chop which he considered to be rather small, and reference to the menu showed him that it read 'pork chops'. Whereupon he summoned our waitress, showed her the entry, and solemnly but with a twinkling eye, requested the further chop or chops specified. She was away a long time, while we bantered him on the obvious lines; eventually she returned in heavy couldn't-care-less style and said curtly that the chef told her that one chop was the entitlement. Provoked by the roar of laughter that greeted the reply, our rebel summoned the chef, who sent word later that he was busy. Insult was added to injury; honour now demanded redress.

The sales manager's coffee was as cold as his temper was hot when the chef arrived at last, a sour, black-headed fellow to whom the customer was always wrong. He shrugged off the attack immediately. He was acting on the instructions of his boss, he said, indicating our office manager; 'chops' meant chop and that's how it had been for years.

Now the office manager, James by name (the fact that he's never called Jim or Jimmy indicates his rather serious, aloof, temperament), is a particular friend of our S.M. (they chaff each other regularly in social moments but work well together) but he rejected the plea out of hand. The expression 'pork chops'

only meant that such were available, he explained frigidly, but the helping naturally comprised only one; it was perfectly logical. 'Hair-splitting, if not downright dishonest!' was the reply, and the rest of us took sides enthusiastically and noisily.

So noisy was the argument that the deputy-chairman leaned back from an adjoining table, where he was lunching some guests, to ask what went on. Here was danger impending; the S.M. should have been cautious. Instead, half-indignant, half-impish, he told the story. The guests laughed, but the deputy-chairman just said patronizingly that the complaint was frivolous, and the S.M., really annoyed by now, made his big mistake. He disagreed vehemently and his talk of jeopardizing employee relations and engendering bad publicity suddenly got our director on the raw, conscious as he was of his listening guests.

Changing his viewpoint, he turned on James and rent him. Poor James's defence was torn to ribbons, in most arrogant terms, before us all; he was really humiliated and he sat back with tight lips, fuming helplessly.

Even then, the S.M. might have saved the day had he apologized honestly and promptly - 'never dreamed that the old so-and-so would react to our little joke like that' - but he was upset himself and tried awkwardly to laugh it off with some remark about 'no use in sulking over it'. James just got up silently and walked out; he was genuinely hurt.

They haven't spoken since. James pointedly avoids the sales manager in the office and sends an assistant to do business with him; he goes to another table at lunchtime. Moreover, I hear that Mrs James met the S.M. and his wife in town yesterday and cut them dead. They're both sore and miserable in their turn; a friendship of twenty years' standing has died for an ill-timed jest. Foolish, if you like, but that's how things happen, and as Coleridge wrote:

'And to be wroth with those we love  
Doth work like madness in the brain.'

It's getting to the stage when we're all embarrassed in the office, and if there's an open breach it may cause serious trouble. The question is: Should I take action to heal the breach?

# Finance and Commerce

## Dual Balance Sheet

**D**UAL balance sheets are not the easiest of documents to draft. There is no difficulty, of course, in merely setting down the narrative with the figures beside it. But it involves four columns of figures on which it can be difficult to concentrate – rather like picking out one man in a crowd.

The difficulty has been overcome, to some extent at least, in the accounts of Northern Dairies Ltd, which provide this week's reprint. In this case, the four columns of figures – two for current and two for comparative – have been positioned to the right of the narrative where one is normally used to seeing the figures, but those for the consolidation are kept to centre with the parent figures in the first and fourth columns.

The effect may not be quite so apparent in the reprint as in the original, where the comparative figures are given on a slightly shaded background, but the background is a minor factor; it is the side-by-side consolidation that has 'done the trick'.

This report and statement of accounts provides another example of the modern school in presentation: there is no separate profit and loss account. Profits and their allocation are dealt with in the directors' report. And the statement by the chairman, Mr A. S. Horsley, contains the sort of information presumably intended by the Companies Act in its reference to directors' reports.

## 'In the Picture'

**M**R C. O. STANLEY, chairman of British Electronic Industries Ltd, said recently: 'I have always believed in keeping shareholders completely in the picture whenever there is an important change in the trading position.' That, however, is a matter of opinion especially when one sees what 'completely in the picture' means.

Mr Stanley, as chairman also of Pye Ltd, is a leading figure in the electronic, television and radio industry. Pye has this year merged with E. K. Cole and it is fairly obvious that a prime purpose of the merger was to present a stronger front to present trading difficulties, of which shareholders must be fully aware through the publicity given in the Press to the effect of hire-purchase restrictions.

Mr Stanley said he must make it 'abundantly clear' that these restrictions were affecting the current trading situation 'most seriously'. He added: 'I have no hesitation in stating that, although we cannot look for encouragement during the present trading year, the position is well in hand to maintain and expand both companies' business from March 31st, 1961.'

When the announcement was made, the 'present trading year' was more than nine months gone. Had Mr Stanley no figures at all to show how serious the situation was?

## Lost Opportunity

**A**NOTHER opportunity for keeping shareholders in the picture was lost when Mr M. Tapper, chairman of Carnegie Models Ltd, said it was not felt 'appropriate' to publish any interim figures. The occasion was the recent extraordinary meeting to create capital in connection with the acquisition of the May Harnes Group, manufacturers of women's clothing. It is an important acquisition for the company in its first year since the shares were marketed. The consideration is £135,818 – £55,318 cash and £23,000 nominal Ordinary capital – with a prospective minimum of £50,000 profit, before tax, in the next full year.

Carnegie's first year as a quoted company is due to close on March 19th, and when the meeting was held, ten months of it had elapsed. But all the chairman had to say on the way the business had been going, was that the directors were 'very satisfied' with the trend of profits to date.

The 2s shares came to the market last year at 6s 9d. When the market actually opened to the public on May 9th, 1960, the quotation was 7s 7½d – 7s 10½d. At the time of the extraordinary meeting, the price was around 9s. From which it is fairly obvious that the company stands well in the market. Perhaps in the second year as a quoted company, half-year figures could be organized.

## Up to Date?

**M**R A. P. WRIGHT, chairman and managing director of T. M. Birkett, Billington & Newton Ltd, brassfounders and engineers of Hanley and Longport, Stoke-on-Trent, is reported to have said to shareholders at the recent annual meeting of the company: 'You will see this year that we have presented the accounts in a more up-to-date form.'

The principal aspect of the 'new form' is the golden-coloured cover, and one is sorely tempted to quip: 'All is not gold that glitters.'

The fact is that new ideas are no improvement if all that has really been done is put the figures on a better quality paper, surround them with a few pictures and enclose in a glossy cover.

It *could* have been called improvement if, for instance, the chairman's review which appears to have been given verbally at the annual meeting in Stoke-on-Trent, had been printed with the accounts. But apart from the figures in the accounts, there is nothing to show how the business is going. Even the directors' report is no more than a repetition of figures from the profit and loss and appropriation accounts, coupled with two announcements: (a) that a retiring director offers himself for re-election and (b) that the auditors will continue in office under Section 159.



## NORTHERN DAIRIES LIMITED AND SUBSIDIARY COMPANIES

## REPORT BY THE DIRECTORS

To the TWELFTH ANNUAL GENERAL MEETING to be held at 285/287 Beverley Road, Hull, on Friday, 17th February, 1961.

The Directors have pleasure in submitting herewith the Accounts for the year ended 30th September, 1960.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT OF NORTHERN DAIRIES LIMITED AND SUBSIDIARY COMPANIES.

	1960	1959
	£	£
Trading Profit .. .. .	710,453	610,585
(including £4,145 (Gross) income from Investments—1959 £3,669)		
Deduct: Depreciation .. .. .	190,429	162,944
Directors' Remuneration (excluding £3,000 paid by Associated Companies 1959 £1,000) .. .. .	32,327	28,357
Interest on Unsecured Loan Stock (Gross) .. .. .	24,000	24,000
Interest paid less Interest received (Gross) .. .. .	9,076	881
	255,832	216,182
<b>Profit for the Year, before Taxation .. .. .</b>	<b>454,621</b>	<b>394,403</b>
<b>Taxation based on Profits of the Year:</b>		
Income Tax .. .. .	147,030	126,829
Profits Tax .. .. .	33,885	27,423
	180,915	154,252
<b>Profit after Taxation .. .. .</b>	<b>273,706</b>	<b>240,151</b>
<b>Group Profit applicable to Outside Shareholders:</b>		
Amount retained in Subsidiary Companies .. .. .	151	269
Dividends paid or proposed less tax .. .. .	1,605	1,582
	1,756	1,851
<b>Group Net Profit for the Year applicable to Northern Dairies Limited (Carried forward) .. .. .</b>	<b>271,950</b>	<b>238,300</b>

	1960	1959
	£	£
<b>Group Net Profit for the Year applicable to Northern Dairies Limited (Brought forward) .. .. .</b>	<b>271,950</b>	<b>238,300</b>
To which is added:—		
Balances of Profit and Loss Accounts brought forward from previous year .. .. .	303,777	438,486
Taxation adjustment relating to previous years .. .. .	1,285	12,748
Deduct Amount applied towards Bonus Capital Issue .. .. .	302,492	451,234
	302,492	276,714
<b>Available for Allocation .. .. .</b>	<b>574,442</b>	<b>412,820</b>
Additional Reserve for Depreciation and Replacements	—	27,513
Dividends Paid or Proposed (Net):		
6% Cumulative Preference Shares (Paid) .. .. .	86	43
6% Redeemable Cumulative Preference Shares (Paid) .. .. .	9,188	8,906
6% Redeemable Cumulative Third Preference Shares (Paid) .. .. .	2,100	—
Ordinary Shares at the rate of 4% per annum, Interim (Paid) and 6% per annum, Final (Proposed)	75,124	72,581
	86,498	109,043
<b>Balances as per Balance Sheets:</b>		
Northern Dairies Limited .. .. .	450,533	280,532
Subsidiary Companies .. .. .	37,411	23,245
	£487,944	£303,777

Mr. G. A. T. Morris, Mr. G. B. Wright, Mr. R. E. Brook, Mr. J. D. V. Mackintosh, Mr. F. Bottomley and Mr. H. Shapero retire under the Articles of Association and, being eligible, offer themselves and are recommended for re-election as Directors.

The Rt. Hon. Lord Boyd-Orr also retires under the Articles of Association. Notice has been received by the Company in accordance with the provisions of Section 185 of the Companies Act, 1948, that he was 80 years of age on 23rd September, 1960, and will be proposed for re-election as a Director of the Company.

The Auditors, Messrs. Buckley, Hall, Devin & Co. have agreed to continue in office, and a Resolution on will be submitted at the meeting, fixing their remuneration for the coming year.

For and on behalf of the Board,

A. S. HORSLEY, Chairman.  
G. A. T. MORRIS, Director.

25th January, 1961.

Note: Warrants for the recommended final dividend on the Ordinary Share Capital will, if approved, be posted on 18th February, 1961 to Shareholders on the Register at 10th February, 1961.

**Balance Sheets as at 30th September, 1960**

1960		1959	
Authorised £	Issued £	Authorised £	Issued £
200,000	2,350	400,000	2,350
250,000	250,000	250,000	250,000
200,000	200,000	—	—
650,000	457,350	650,000	252,350
1,500,000	1,231,056	1,500,000	1,186,803
42,150,000	1,683,406	2,150,000	1,439,153
Northern Dairies Limited	Consoli- dation £	Consoli- dation £	Northern Dairies Limited
1,231,056	1,231,056	1,186,803	1,186,803
157,144	181,957	34,748	9,935
—	3,939	3,943	—
3,763	7,220	3,343	53
1,391,963	1,424,172	1,228,837	1,196,791
<p><b>Free Reserves:</b> Additional Reserve for Depreciation and Replacements .. .. . 50,000 Distributable Capital .. .. . 28,946 Subsidiary Company .. .. . 450,533 Profit and Loss Account .. .. . 487,944</p>			
<p><b>ORDINARY SHARE CAPITAL AND RESERVES</b> .. .. . 1,871,442 Preference Share Capital (Note 2) .. .. . 452,350</p>			
<p><b>TOTAL SHARE CAPITAL AND RE-SERVES</b> .. .. . 2,323,792</p>			
<p><b>Minority Interests in Subsidiary Com-panies</b> .. .. . 39,817</p>			
<p><b>Future Tax:</b> Income Tax to 5th April, 1962 .. .. . 1,203</p>			
<p><b>Mortgages</b> .. .. . 2,324,995 Northern Dairy Group Staff Super-annuation Fund .. .. . 33,000</p>			
<p><b>6% Unsecured Loan Stock 1960/66</b> .. .. . 80,000 A. S. HORSLEY .. .. . 400,000 G. A. T. MORRIS .. .. . 400,000</p>			
<p><b>Directors.</b> A. S. HORSLEY .. .. . 2,837,995 G. A. T. MORRIS .. .. . 2,293,619</p>			

1960		1959	
Authorised £	Issued £	Authorised £	Issued £
200,000	2,350	400,000	2,350
250,000	250,000	250,000	250,000
200,000	200,000	—	—
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<p><b>6% Unsecured Loan Stock 1960/66</b> .. .. . 80,000 A. S. HORSLEY .. .. . 400,000 G. A. T. MORRIS .. .. . 400,000</p>			
<p><b>Directors.</b> A. S. HORSLEY .. .. . 2,837,995 G. A.</p>			

## NORTHERN DAIRIES LIMITED AND SUBSIDIARY COMPANIES

## Notes on the Accounts and Variations in Reserves 1960

This Information forms part of the Company's Accounts and is given to conform with the requirements of the Companies Act 1948

## 5. Land, Buildings, Plant and Machinery, Vehicles, etc.:

Number	Amount £
4,747,212	1,186,803
170,799 6,215	42,700 1,553
4,924,226	£1,231,056
252,350	252,350
200,000	200,000
452,350	£452,350

## 1. Issued Ordinary Share Capital of Northern Dairies Limited:

As at 30th September, 1959 .. ..  
 Shares issued during the year .. ..  
 As part consideration on the acquisition of new businesses .. ..  
 Executive Directors, Staff and Employees .. ..

## 2. Issued Preference Share Capital of Northern Dairies Limited:

As at 30th September, 1959 .. ..  
 Shares issued during the year for cash .. ..  
 6½% Redeemable Cumulative Third Preference Shares .. ..

## 3. Reserves: Variations during the year—

## Share Premium Account:

Balance, 30th September, 1959 .. ..  
 Premiums on 177,014 shares allotted during the year .. ..

## Profits of Subsidiary Companies prior to their incorporation:

Balance, 30th September, 1959 .. ..  
 Formation Expenses Written Off .. ..

## Profit on Realisations:

Balance, 30th September, 1959 .. ..  
 Arising during the year: .. ..  
 Freehold Property .. ..  
 Investments .. ..

Total £	Northern Dairies Limited £	Subsidiary Companies £
34,748	9,935	24,813
147,209	147,209	—
£ 181,957	£ 157,144	£ 24,813
3,943	—	3,943
4	—	4
£ 3,939	£ —	£ 3,939
3,343	53	3,290
167	—	167
3,710	3,710	—
£ 7,220	£ 3,763	£ 3,457

## 4. Goodwill and Trade Marks:

As at 30th September, 1959 .. ..  
 Additions during the year .. ..

Total £	Premium on Purchase of Shares in Subsidiary Companies £	In Books of Subsidiary Companies £
461,986	156,898	305,088
151,331	109,113	42,218
£ 613,317	£ 266,011	£ 347,306

	1960		1959	
	Cost or Book Value £	Aggregate Depre- ciation £	Net £	Cost or Book Value £
Freehold Land and Buildings .. ..	798,541	6,954	791,587	699,083
Leasehold Land and Buildings .. ..	62,019	13,218	48,801	51,251
Plant, Machinery, Fix- tures, Vehicles .. ..	2,335,599	1,093,666	1,241,933	1,974,319
£	£ 3,196,159	£ 1,113,838	£ 2,082,321	£ 2,724,653
				897,661
				1,826,992

## 6. Cost to Northern Dairies Limited of Shares in Subsidiary Companies:

As at 30th September, 1959 .. ..  
 Expenditure during the year .. ..  
 £ 846,636  
 230,929  
 1,077,565

Deduct Pre-Acquisition profits of Subsidiaries distributed to Holding Company during the year .. ..

103,177  
 974,388

## 7. Capital Commitments:

The Group Commitment is estimated at £66,632 (1959 £27,461)

## 8. Contingent Liabilities:

The Holding Company has guaranteed certain Contracts and the Principal and Dividends of Preference Shares of Subsidiary Companies.

## 9. Period of Accounts:

The Accounts of the newly acquired Subsidiary Companies have been made up for the periods from the date of acquisition to 24th September, 1960 and all others for the fifty-two weeks ending on that date.

## CITY NOTES

THE third week of a 'long' stock-market account has seen a halt to the rise in industrial equity share prices which had progressed with little in the way of interruption from the beginning of the year. After such a marked advance, a period of consolidation was overdue but it came curiously enough when those commentators who had freely predicted a continuance of a bear market had detected signs of a basic turn for the better.

The froth of take-over development, however, continues to keep the market lively and the withdrawal of the Cotton-Clore organization from the City of London Real Property take-over bid was for the City an intriguing although not unexpected development. Apart from that deal and the Odhams-Mirror battle, the main take-over pitch has been the brewery share market where speculators continue to hunt and hope that they find the next brewery on the take-over list.

The prize for finding the right share is considerable. When a bid worth £16 million can be capped by one worth £18½ million and when shares quoted purely nominally in the market at 40s are taken over for £5, it is hardly surprising that speculative fancy is roused.

Beneath the take-over froth, however, the market as a whole is reasonably settled even though it seems unlikely that the advance, which began to peter out at the beginning of this week, will be resumed with the same fervour this side of the Budget.

## RATES AND PRICES

*Closing prices, Wednesday, February 15th, 1961*

**Tax Reserve Certificates:** interest rate (26.11.60) 3%

## Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

## Treasury Bills

Dec. 9	£4 9s	7·83d%	Jan. 13	£4 6s	1·51d%
Dec. 16	£4 7s	6·04d%	Jan. 20	£4 3s	8·22d%
Dec. 23	£4 7s	1·45d%	Jan. 27	£4 3s	3·70d%
Dec. 30	£4 6s	11·78d%	Feb. 3	£4 3s	4·46d%
Jan. 6	£4 6s	10·38d%	Feb. 10	£4 6s	0·56d%

## Money Rates

Day to day	3½-4½%	<b>Bank Bills</b>	
7 days	4½-4½%	2 months	4½-4½%
<i>Fine Trade Bills</i>		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

## Foreign Exchanges

New York	2·80-1½	Frankfurt	11·68½-½
Montreal	2·77½-1½	Milan	1741½-½
Amsterdam	10·60½-½	Oslo	20·01½-½
Brussels	139·79½-½	Paris	13·72½-½
Copenhagen	19·35½-½	Zürich	12·09½-½

## Gilt-edged (revised List)

Consols 4%	63½	Funding 3% 59-69	82½
Consols 2½%	42½	Savings 3% 60-70	78½xd
Conversion 5½% 1974	93½	Savings 3% 65-75	70½xd
Conversion 5% 1971	91½	Savings 2½% 64-67	84½
Conversion 3½% 1969	84	Treas. 5½% 2008-12	90½xd
Conversion 3½%	57½	Treasury 5% 86-89	86½
Exchequer 5½% 1966	99½	Treasury 3½% 77-80	71½
Funding 5½% 82-84	94½	Treasury 3½% 79-81	70½
Funding 4% 60-90	88½	Treasury 2½%	41½
Funding 3½% 99-04	62½	Victory 4%	96½
Funding 3% 66-68	82½	War Loan 3½%	57½

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Overseas Students

SIR, - Arising from the letter from Messrs Harold Jones & Co, published in your last issue, it will no doubt be accepted that negotiations with students abroad are bound to be difficult and that neither party is likely to do more than make tentative arrangements without a personal interview.

May I be given the opportunity of referring to the established practice of maintaining at Moorgate Place particulars of overseas students, already in this country, who are exempted from the Preliminary examination and who are immediately available for interview. In this way it is hoped that as and when a

member approaches the Institute indicating his willingness to consider a student from overseas it is possible to match the needs and interests of a prospective principal with those of a prospective articulated clerk. The number of members, however, who have made such inquiries is very small and the introductions which have been made through the Institute have therefore been very limited.

Each year inquiries increase from overseas students who have graduated in universities in the United Kingdom; these graduates, in addition to having demonstrated their ability in advanced studies, have had an opportunity to become accustomed to life in this country and the practical use of the English language.

There are two other points arising from your correspondent's experience. First, a temporary 'letter of appointment' is not necessary before a student from Pakistan may come to this country. Provided he produces a certificate of exemption from the Preliminary examination and can satisfy his Government that he can rely on a specified amount of financial

assistance during articulated service, he will receive permission to come to this country and exchange facilities sufficient to meet his expenses for a short period while he is seeking articles. Members need not therefore feel that refusal to write a 'letter of appointment' will preclude a Pakistani student from coming here.

Secondly, if any member feels that he has serious grounds for complaint concerning the conduct of any prospective articulated clerk, whether from overseas or not, he should consider letting me know so that if necessary an inquiry may be made into the suitability of the clerk for admission into articles.

Yours faithfully,

ALAN S. MACIVER, *Secretary*,  
THE INSTITUTE OF CHARTERED ACCOUNTANTS  
IN ENGLAND AND WALES.

London, EC2.

### A Flaw in the Jewel?

SIR, - May I suggest that Mr Gambling's article entitled 'A Flaw in the Jewel?' in *The Accountant* last week seems to call for some clarification. As I read it, he is blaming the system of double-entry book-keeping for the problems which occur in the valuation of assets and the related process of the measurement of profits and losses.

The system of double-entry book-keeping is a piece of machinery for the collection, storage and display of information on financial facts. Since facts themselves cannot be handled, it is necessary to use a code of monetary figures.

The problems of valuation and the measurement of profits arise entirely from the imperfections of the figure code. They are not affected by the machinery of the double-entry system. If accountants and their clients would only realize that their records deal with facts and that the same facts have a different appearance according to the point of view and the purpose for which they are reviewed, and if they would also realize that the figure symbols used in accounting do not represent fixed abstractions like the same symbols used by the mathematicians, then many of the arguments which arise about the presentation and interpretation of accounting facts would disappear in answer to the simple question 'What do you want the information for?'

Returning briefly to the double-entry system, the system itself is fundamentally correct - it is a piece of machinery designed on sound engineering principles. What is so often wrong is the crooked and misleading labyrinth through which most of us were led when we were instructed in the use of this efficient machine. Nearly all of the alleged difficulties of double-entry book-keeping would vanish if, instead of students being introduced first to the detailed entries with all those deceptive half-truths such as 'the receiver being debited and the giver credited', they were shown at the very start the fundamentals of the system so clearly displayed by the balance sheet with its assets

side and its capital side, and the two rules for the use of the divided page.

Don't blame the double-entry system for the defects of the numerical code which it has to handle or the distorted way in which it is usually introduced to us.

Yours sincerely,

London, EC2. R. J. CARTER, B.COM., F.C.A.

SIR, - Mr Gambling's jewel (February 11th issue) is really an industrial stone: it is a working tool, and the standard of the work it does must depend upon the skill and experience of the craftsman who uses it. After all, double entry itself, apart from the conventions and doctrines with which the accounting profession has rightly surrounded it, is no more than a mathematical technique - Pacioli's exposition was only an incidental part of a comprehensive treatise on 'Arithmetic, geometry and proportion'. We do not dispute the laws of addition and subtraction merely because their results may sometimes be distasteful to us. To regard double entry, as such, as 'a method of economic measurement' is surely to attach to it a function and a significance to which it makes no pretence and of which it is not worthy.

Measurement is part of the accounting process, and, unlike the mechanics of double-entry book-keeping, it is largely a subjective one. Once double entry has produced figures which are arithmetically sound, the accountant's task is to adapt the results so that they reflect the realities of the situation so far as he is able to ascertain them and for the purposes for which their information is required. It is at *this* stage that he must try to allow for economic forces such as changes in the value of money, and even here the traditional apparatus provides him with the means. The effects of asset revaluations or replacement-cost depreciation charges can be clearly revealed through properly identified reserves, thus retaining the historical cost basis whilst presenting an overall picture which even the economist can understand.

It is precisely because accounting is so largely subjective that we recognize the need for the convention of historical cost recording and the doctrine of conservatism in account presentation. Without the restraining influence of double entry, who knows into what subtle and tenuous realms we might not wander in our search for what is true and fair.

Yours faithfully,

R. H. S. BEACHAM,  
Enfield, Middx. B.COM., B.SC.(ECON.).

### Research and the P. D. Leake Trust

SIR, - Your issue of February 11th contains a most interesting article by Mr T. E. Gambling entitled 'A Flaw in the Jewel?' I do not agree with Mr Gambling's contention that there are difficulties involved in teaching or using the double-entry system of book-keeping, or that it represents an archaic approach to economic problems. Indeed, mathe-

maticians are beginning to note with surprise that it is remarkably similar to some of the systems which are very much in vogue with them at the present time, and economists too make use of it as a 'model' for forecasting the probable effects of different decisions.

In spite of this, I do agree with him that the suitability of double-entry book-keeping for the purposes for which it is used is a subject upon which research is urgently needed. Our profession is pathetically poor in ideas on accounting, and the original impetus which accompanied the formation of the Institute eighty years ago appears to have come to a full stop. There are many, many problems which cry out for systematic study by qualified persons – not only pure accounting theories, but also practical problems in both business and government.

This being so, it was interesting to read on page 156 of the same issue that the book value of the total assets of the P. D. Leake Trust now amounts to £277,566, an increase of more than £100,000 over the preceding year's total, and to compare these figures with professorship and fellowship grants of £4,592 for the year 1959–60. The trustees are to be congratulated on their business acumen, but is this accumulation the object of the Trust? Those of us who have applied unsuccessfully to the Trust for research grants in the past know that it is not because accountants are unwilling to conduct research that these funds remain undistributed; indeed, in my case an unsuccessful approach to the P. D. Leake Trust was followed by receipt of a Simon Fellowship at Manchester University, where the Economics Faculty kindly allowed me the facilities I required for my work on uniform accounting.

It may be that the trustees are planning some large-scale research project which will call for the expenditure of the substantial fortune which they are administering. If this is the case, then it appears to me that they owe a duty to the profession for the benefit of which the Trust was established by the late P. D. Leake, to keep it informed about their plans. If this is not the case, then there is a strong argument for replacing the present trustees by others who are capable of achieving its objects.

Yours faithfully,

London, SW7.

KENNETH S. MOST.

### Section 341 Claim

SIR, – We should like to avail ourselves of the courtesy of your correspondence columns to obtain your readers' views on the following matter.

The trading results for the last three years of a company which has been in business for upwards of fifty years are as follows:

Year to	£	
31/12/1957	Profit 20,000	Assessed 1958–59
31/12/1958	„ 20,000	„ 1959–60
31/12/1959	Loss 48,000	

A Section 341 claim on the basis of treating the

year ended December 31st, 1959, as coterminous with the tax year 1959–60 would result in a repayment of tax on the 1959–60 assessment, viz. £20,000, and a balance of £28,000 losses to carry forward.

If the loss is apportioned on a fiscal year basis it would appear that a greater repayment might be obtained, as under:

	£
3 months to 31/3/1959	12,000 against 1958–59 assessment
9 months to 31/12/1959	36,000 against 1959–60 assessment (limited to £20,000)
	<u>£48,000</u>

Total repayments would then be on £32,000 and the balance of losses to be carried forward would be reduced to £16,000.

The Inspector of Taxes states that if the latter basis is adopted regard must be had to the result for the year 1958–59, as a whole, by bringing in nine months of the 1958 profit with three months of the 1959 loss, and as the net result is a profit, no repayment is due for 1958–59:

	£
9 months to 31/12/1958	.. .. Profit 15,000
3 „ 31/3/1959	.. .. Loss 12,000
Year 1958–59	.. .. Profit <u>£3,000</u>

We are aware that if an accounting period is split for the purpose of a Section 341 claim, then this basis must be followed in respect of a loss made in a succeeding period, but we have not before seen it suggested that the profit of an accounting period preceding the year in which the loss was made should also be split.

As we have, in another case, which was almost identical, except for the size of the loss, obtained repayment of the full amounts of loss apportioned to two tax years without any reduction in respect of a portion of the profit of the preceding accounting period, we wonder whether the treatment varies from district to district and which is correct.

If the Inspector's treatment in this case is correct it is no doubt irrelevant to point out that the apportioned profit for 1958–59 is £3,000 against an assessed profit of £20,000 on which tax has been paid, but as the object of Section 341 is to give relief for losses we feel that he may be applying a too strict, or even incorrect, interpretation of the provision.

The same approach is followed in his treatment of the portion of the 1959 loss apportioned to 1959–60. This, he says, must be dealt with in conjunction with the result for the three months ended March 31st, 1960, and as this will not be known until the 1960 accounts have been prepared, no repayment for 1959–60 could be made until this has been done.

Here again, in the other case referred to, repayment of 1959–60 tax was made in respect of a nine-months' proportion of a 1959 loss without any delay or query.

Yours faithfully,

SEC. 341.

# In Parliament

## Income Tax: Schedule A

Mr NABARRO asked the Chancellor of the Exchequer, in view of the fact that the cost of repairs to garden walls and fences, gates, drains, downspouts, gutters, slating and tiling and for replacement due to damage or obsolescence of any of these items in a domestic hereditament, or re-scarifying or re-gravelling garden drives or paths, are properly admissible within maintenance relief claims against income tax Schedule A, whether he will instruct all Inspectors of Taxes appropriately in accordance with provisions of the Income Tax Act, 1952, Section 101, to ensure observance of the provisions.

Mr SELWYN LLOYD: I presume the hon. Member has in mind claims by owner-occupiers. A distinction is drawn between expenditure incurred as owner and expenditure incurred as occupier. On this basis, the detailed answer is as follows:

### *Garden walls, fences and gates*

Cost of repairs to boundary walls, boundary fences and entrance gates – admitted.

Cost of replacement of boundary walls, boundary fences and entrance gates which are in need of repair – admitted, up to the estimated cost of repairs.

Otherwise not admitted.

### *Drains, downspouts, gutters, slating and tiling*

Cost of repairs – admitted.

Cost of replacement of such items which are in need of repair – admitted.

### *Re-scarifying or re-gravelling garden drives or paths*

Entrance drives and entrance paths – admitted.

Others – not admitted.

Inspectors of taxes are already instructed to deal with these claims in accordance with the provisions of the section.

Mr NABARRO asked the Chancellor of the Exchequer what extent the number of maintenance relief claims in respect of income tax Schedule A from owner-occupiers of houses is now increasing.

Sir E. BOYLE: It is estimated that over the last few years the number of maintenance claims by owner-occupiers has increased by about 15 per cent a year.

*Hansard*, Jan. 31st, 1961. Written Answers. Col. 107.

## Intestate Succession: Mackintosh Report

Mr HECTOR HUGHES asked the Secretary of State for Scotland on what date he received from the Council of the Scottish Law Agents Society the resolution passed by it on December 15th, 1960, and sent to him, concerning the recommendations of the Mackintosh Report on the law relating to intestate succession in Scotland; and if he will now take steps to implement the recommendations contained in the report.

Mr JOHN MACLAY: The Society's resolution reached me on January 16th. As already indicated in the reply that I gave to the hon. Member for Edinburgh East (Mr Willis) on January 31st, I have informed the Society that I see no prospect of legislation to amend the law of intestate succession during the current session of Parliament.

*Hansard*, Feb. 7th, 1961. Oral Answers. Col. 201.

## Travelling Expenses

Sir W. ROBSON-BROWN asked the Chancellor of the Exchequer whether, in view of the recent travel concession granted to London civil servants, he will allow organizations or companies who are willing to compensate their staff against any future increase in railway fares to charge this as a legitimate expense in their accounts for income tax purposes.

Sir E. BOYLE: What was announced recently was not a travel concession but an increase in the London addition to civil service pay. Payments of the kind mentioned by the hon. Member, made by an employer carrying on a trade or business, are deductible in computing the business profits for tax purposes.

*Hansard*, Jan. 30th, 1961. Written Answers. Col. 87.

## Non-participating Employments

Mr HOUGHTON asked the Minister of Pensions and National Insurance how many certificates have been granted in respect of non-participating employments; how many employees they cover; and how many applications for certificates are still undetermined by the Registrar.

Mr BOYD-CARPENTER: 10,318 such certificates have been granted by the Registrar covering 2,605,000 employees; 2,685 applications for certificates are now with the Registrar.

*Hansard*, Feb. 7th, 1961. Written Answers. Col. 40.

## Surtax

Mr NABARRO asked the Chancellor of the Exchequer how many surtax assessments would be eliminated, and what percentage this would represent of the whole, if the commencing level of surtax were raised to £4,000 income annually; otherwise graduated as at present; how many assessments for surtax would remain for those earning over £4,000 per annum; and what such surtax reform would cost the Revenue in a full year.

Sir E. BOYLE: If the starting-point for surtax had been raised to £4,000 for 1958–59, the latest year for which figures are available, about 280,000 surtax-payers would have been exempted – some 72 per cent – leaving 108,000 liable.

The estimated cost of the suggested change is £89 million in a full year.

*Hansard*, Feb. 8th, 1961. Written Answers. Col. 62.

## Tax Collection: Costs

Mr NABARRO asked the Chancellor of the Exchequer why tax collection costs have nearly doubled since 1950, from £50 million in that year, to £97 million in 1959; what part of such increase may be attributed, respectively, to income tax, surtax, and purchase tax; and what were the costs of collection figures for 1950 and 1959 from surtax payers.

Sir E. BOYLE: I cannot accept my hon. friend's figures, but, at £73.1 million in 1959–60 against £36.8 million in 1950–51, tax collection costs had, I agree, nearly doubled, mainly because of increases in pay and superannuation. A small part of the increase in cost was on account of additional staff to deal with increased work, and one must remember that revenue collected also rose substantially. It is not possible to give separate figures for the cost of collection of particular categories of tax.

*Hansard*, Feb. 8th, 1961. Written Answers. Col. 62.



**A monthly feature designed to keep readers – whether in practice or in commerce – abreast of the latest developments in the field of office equipment.**

### Punched Cards for Smaller Firms

**W**HATEVER the size of business, facts and figures have to be recorded, analysed and issued in the form of reports. Large organizations often use punched cards for this purpose. The introduction of the *IBM 3000* system means that the same methods of working can now be considered by smaller firms.

The card employed in the new system is smaller than usual yet enables information to be punched into any of eighty columns. The equipment itself has been notably 'streamlined'.

A basic system consists of three units:

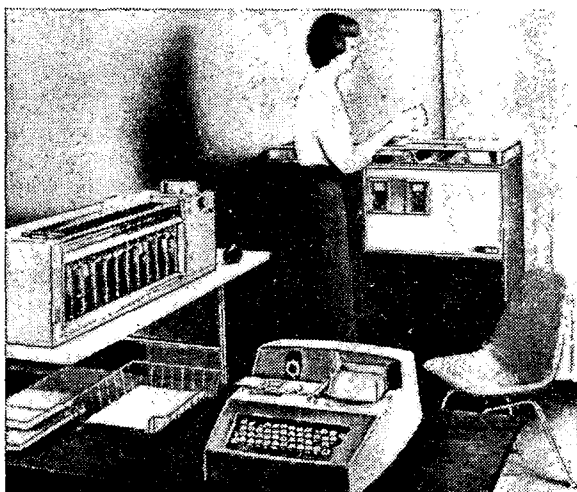
1. Punch/verifier. This weighs less than 50 lb. and resembles an electric typewriter. It enables its operator to punch information into cards and to verify these cards in a subsequent 'pass'.
2. Transistorized sorter which sorts cards into alphabetical or numeric sequence at the rate of 460 per minute.
3. Accounting machine which combines (for the first time) the tasks of calculating, printing and punching. With a basic speed of ninety cards per minute, it can also be used as a calculating punch for multiplication and division, as a reproducer, gang punch and summary punch; and (in a limited way) as a collator.

In addition, there is an interpreter which prints along the top of a card the information recorded in the form of punched holes. This works at the speed of forty-five cards per minute.

Typical applications of the *3000* system include invoicing, stock control, payroll, sales analysis and accounts receivable. The manufacturers can provide ready-programmed applications based on extensive systems studies; alternatively, these can be modified to suit the needs of individual users.

Price: The monthly rental for a *3000* system is about £150 per month.

IBM United Kingdom Ltd, 101 Wigmore Street, London, W1.



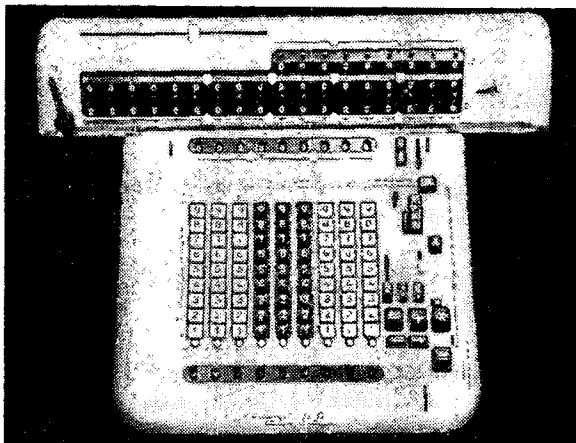
*The IBM 3000 Accounting System*

## New Office

### Two-in-one Calculator

**A**RCHIMEDES DIEHL have developed a new two-in-one machine which provides independent control over the functions of adding and calculating. It is known as the *Diehl 'Storage' Calculator*.

For many operations it is unsatisfactory to have directly-linked adding and calculating mechanisms,



*Diehl Storage Calculator*

because the user does not always wish to add the result of a calculation to the previous result. The new machine overcomes this weakness of earlier designs by incorporating a completely independent adding and subtracting register. Figures can be transferred into this under the control of the operator and then brought back into use, if required, at a later stage.

This method of working eliminates the errors which so easily occur when the results of additions are written down on paper and subsequently entered on the keyboard of a separate calculating machine. It also means that figures concerned with such things as invoices, stock valuation, payroll and pro-rating can be calculated and totalled in one operation, even by an inexperienced machine operator.

The price range is £268 to £458, depending on the features that are included in the machine.

Archimedes Diehl Machine Co Ltd, Chandos House, Buckingham Gate, London, SW1.

### Security for Inter-Office Mail

**T**HREE years ago a newly-formed company called Envopak Ltd began to market a zip-fastened plastic container designed to facilitate inter-office mail distribution. This has now been improved by the introduction of an ingenious sealing device which protects the contents during transit.

# quipment

In appearance the seal is not dissimilar to a small bottle-cap. Once snapped into position over the locking chamber of the zip-fastener it cannot be removed without being broken; thus any tampering is detected immediately.

The receiver uses a simple hand-tool to break the Envoseal. Where large numbers of *Envopaks* are handled, the tool can be fixed to the edge of a desk or counter with a special plate.

The containers themselves are made of tough waterproof plastic and are said to have a working life of at least three years. They are made in various sizes and also in a range of nine colours which, with the overprinting of code numbers, helps to speed up the sorting of incoming mail.

Price: *Envopaks* between 13s and 37s 6d each; *Envoseals* 22s per 1,000 (for quantities of 1,000), 14s per 1,000 (for quantities of one million).

Envopak Ltd, Envopak Works, Powerscroft Road, Sidcup, Kent.

## Plastic Binders for Office Printing

LIKELY to find applications in many office printing departments, the new *Bomco* Book Binding System enables unskilled operators to produce plastic-bound catalogues, brochures and booklets. It employs simple bench-top equipment which inserts plastic binding elements in all kinds of punched paperwork.

The patented 'Slideback' elements are designed so that sheets can be added or replaced on the loose-leaf principle. There is also a range of elements for permanent, 'open flat' bindings. A wide choice of colours and sizes is available.

The manufacturers offer a range of four punching and binding machines. The smallest of these, hand-operated by a single lever, is more compact than a typewriter, yet can bind between 1,500 and 2,000 booklets per day. Larger models are electrically operated.

Prices: from £59 10s (for the hand-operated binding machine).

National Loose Leaf Co Ltd, National House, Cursitor Street, London, EC4.

## Improved Manual Wages System

SUITABLE for businesses with twenty-five or more employees, the new *Twinlock PAYE/Master* wages system incorporates features which make the equipment smaller and easier to use than the three-in-one billing boards systems previously supplied by this manufacturer.

The principal change is that the sheets are designed for vertical instead of horizontal working. In the previous systems forms had to be aligned with each other from left to right; now they are aligned by the

top edge, thus permitting vertical column addition and subtraction for each wage calculation.

The billing board itself measures only 13 in. by 17½ in. overall. This means that the sheets are correspondingly smaller than before, making them easier to handle.

The basic principle of this type of system is that the three essential wage records – wages sheet, personal deduction sheet and payslip sheet – are produced by one writing. A single sheet of double-sided carbon is used rather ingeniously to make two copies; the payslips are printed on translucent paper so that impressions made on the back can be read from the front.

To assist in the cross-casting of wage and summary sheet totals, the board is provided with a cross line indicator rule. This can also be used when the personal deduction sheets are totalled quarterly.

After completion, the wage and personal deduction sheets are kept in *Twinlock* binders.

Prices: An installation for one hundred employees costs under £23. Thereafter the annual cost of repeat stationery is £11.

Percy Jones (Twinlock) Ltd, 37 Chancery Lane, London, WC2.

## Brain in a Briefcase

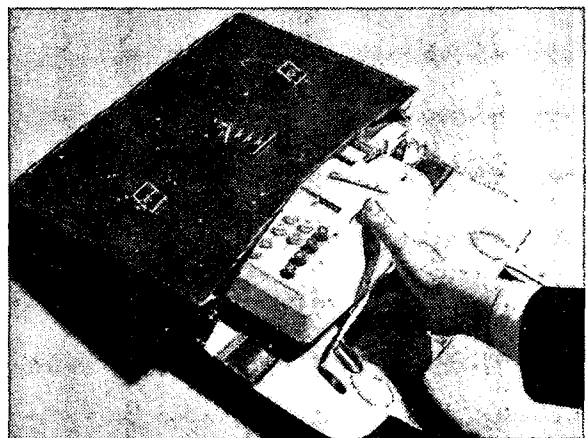
MANY business aids have been described as 'small enough to slip into a briefcase'. As the photograph shows, this is literally true of the *Quick* adding/listing machine. Nor will its weight (only 8 lb) unduly tax the strength of the travelling accountant.

Its entering and totalling capacity is one penny short of £1 million – surprisingly high in view of its dimensions. The simplified keyboard includes four control keys, which provide facilities for totalling, sub-totalling, subtracting, non-addition and repeat. The print, obtained through a two-colour typewriter ribbon, is large and very legible.

To help in reading off large values there are two thin wires over the tally roll; one splits the pounds into groups of three and the other separates the pounds from the shillings and pence.

Price: £45.

T.S. (Office Equipment) Ltd, 140–148 Borough High Street, London, SE1.



'Quick' Adding/Listing Machine

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS COOPER BROTHERS & Co, COOPERS & LYBRAND, and RATTRAY BROTHERS, ALEXANDER & FRANCE, announce that the address of their Glasgow office is now Highland House, 58 Waterloo Street, Glasgow, C2. Telephone: Central 4754-6.

MESSRS H. NORMAN HARRISON & Co, Chartered Accountants, of Devonshire Chambers, 146 Bishopsgate, London, EC2, announce that as from February 18th, 1961, the practice will be removed to Copthall House, Copthall Avenue, London, EC2. Telephone: National 0251-2.

MESSRS FRANK IMPEY & Co, Chartered Accountants, of Lombard House, 144 Great Charles Street, Birmingham, 3, announce that Mr NORMAN DIX IMPEY, F.C.I.S., who retired from the former partnership on December 31st, 1960, continues to be available in the capacity of consultant.

MESSRS STURGES, FRASER, CAVE & Co, Chartered Accountants, London, EC2, announce that they have admitted to partnership Mr A. R. LEWIS, A.C.A., who has been a member of the firm for a number of years. The firm's name remains unchanged. They also announce the opening of a new office at Midland Bank Chambers, 43 The Market Place, Kingston upon Thames, Surrey, where Mr A. R. LEWIS will be the resident partner.

MESSRS WHINNEY, MURRAY & Co, announce that, with effect from January 1st, 1961, they have admitted into partnership in their practice in the Lebanon, Mr GERARD MAKSUD, A.C.A., who has been a senior member of the staff of the firm since 1956.

MESSRS FRED R. PETTY & Co, Accountants, announce that the partnership which has heretofore existed at Court Chambers, North Street, Keighley, between Mr WILLIAM BOWMAN and Mr WALTER DRIVER, F.C.A., has by mutual consent been dissolved as from January 31st, 1961. Both partners will, however, continue to practise after that date, Mr BOWMAN in partnership with Messrs A. P. BURTON, F.C.A., and M. C. P. BURTON, A.C.A., under the style of BOWMAN & BURTON & Co, Accountants, at 14 Devonshire Street, Keighley, and Mr DRIVER under the style of W. DRIVER & Co, Chartered Accountants, at 102 Cavendish Street, Keighley. The office at Court Chambers will be maintained until the middle of March.

## Appointments

Mr D. M. Clement, F.C.A., has been appointed director-general of finance of the National Coal Board.

Mr Bryan D. Shaw, F.C.A., secretary of Norvic Shoe Co Ltd, has been appointed a director of the company and continues as secretary.

Mr Alexander McKellar, C.A., has joined the board of Bruce Peebles & Co Ltd. Mr McKellar is currently President of The Institute of Chartered Accountants of Scotland.

Mr E. V. M. Andrews, F.C.A., has been appointed group chief accountant of Amalgamated Industrials Ltd.

Mr H. T. Nicholson, F.C.A., and Mr C. G. Brown, F.C.A., have joined the boards of Bignells Ltd and Victory Real Estate Co Ltd.

Mr J. Corbishley, F.C.A., director and financial controller of E. K. Cole Ltd has been appointed a director of Ekco Electronics Ltd.

Mr K. W. Hickman, F.C.A., has been appointed a director of Land Revenues Trust Ltd.

Mr Alexander Longair, A.A.C.C.A., has been appointed junior deputy city chamberlain, Dundee.

Mr E. Jones, F.I.M.T.A., has been appointed borough treasurer of Ramsgate.

## INDUSTRIAL INJURIES AND NATIONAL INSURANCE LEGISLATION

### Acts and Regulations Consolidated

The law relating to the industrial injuries scheme is covered in the first of three loose-leaf volumes setting out legislation administered by the Ministry of Pensions and National Insurance. This volume<sup>1</sup> with a first supplement bringing it up to date as at December 1st, 1960, is now published. The other two volumes<sup>2</sup> dealing with the law relating to family allowances and national insurance, together with a first supplement, will be published shortly.

The work shows the principal Acts and regulations with the text as currently amended and with marginal annotations indicating the relevant amending provisions. Subsequent Acts and amending instruments are separately printed only in so far as they are not incorporated as textual amendments to the earlier legislation. Supplements to be published within a few days of any alterations being made to any of the Acts and regulations will ensure that an up-to-date amended version of the provisions is readily available.

The publication contains lists of statutory instruments, grouped both numerically and according to subject-matter, and tables showing changes of rate of benefits and contributions. Provisions which have ceased to be effective or are of very limited interest are not included.

<sup>1</sup> Obtainable from H.M.S.O. Price £2 5s (by post £2 7s). First supplement, price 2s (by post 2s 4d).

<sup>2</sup> Will be priced £4 10s (by post £4 14s).

# JOHN FOORD & COMPANY

56 VICTORIA STREET, LONDON, SW1

Telephone: Victoria 2002 (3 lines)

## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

**GRADUATED RETIREMENT PENSION**

The Minister of Pensions and National Insurance has asked the National Insurance Advisory Committee to consider and report on draft regulations<sup>1</sup> setting out the conditions on which graduated retirement pension under the new scheme starting in April is to be paid to certain small classes of pensioners.

The regulations would enable graduated retirement pension of 2s 6d a week or less to be paid as a lump sum, if, exceptionally, a person is not entitled to flat-rate retirement pension (including, for a married woman, flat-rate pension on her husband's insurance when he retires). They also lay down the conditions on which a woman who marries after the minimum pension age of 60 can get graduated retirement pension on her husband's insurance if she is widowed, and enable a widowed mother over 60 to have any graduated retirement pension added to her widowed mother's allowance, instead of her retirement pension, in any week when this will give her a higher total amount of benefit. The regulations also make certain minor changes in other national insurance provisions to take account of the addition to the flat-rate retirement pension of graduated retirement pension. The Committee will consider representations on these draft regulations received by them not later than March 10th. Representations should be sent to the Secretary, National Insurance Advisory Committee, 10 John Adam Street, London, WC2.

**FARM EQUIPMENT****New Wear and Tear Allowances**

We are advised by the National Farmers' Union that following negotiations between the Union and the Inland Revenue it has been agreed that, for 1960-61 onwards, the wear and tear allowances for fertilizer spreaders, lime spreaders and combine drills shall be 25 per cent and for manure spreaders, 20 per cent.

**O.E.E.C. GUIDE ON BUSINESS PRACTICES**

The third volume in the series *Guide to Legislation on Restrictive Business Practices in Europe and North America*,<sup>2</sup> designed to bring together the existing legislation on restrictive business practices in member countries of O.E.E.C., the United States and Canada, and existing legislation in Austria, Canada and

by the O.E.E.C. European Productivity  
volume is divided, like the other two

onal Insurance (Graduated Retirement  
ential Provisions) Regulations, 1961.

15s net.

referred to in our issue of June 25th, 1960, into country chapters, each reproducing the texts of current legislation, with explanatory notes, a digest of administrative and Court decisions, and a selected bibliography.

The guide will be periodically brought up to date and a first supplement to Volumes I and II will appear later in the year. A fourth volume on Belgium, Luxembourg and Switzerland is expected to appear in the near future.

**LONDON AND DISTRICT SOCIETY OF  
CHARTERED ACCOUNTANTS**

The next meeting of the London and District Society of Chartered Accountants will be held in the Oak Hall of the Institute on Tuesday, February 28th, at 6 p.m., when Mr Harold Wincott, Editor-in-Chief of the *Investors Chronicle*, will speak on 'Every man an investor'.

**THE INSTITUTE OF OFFICE MANAGEMENT****London Branch Annual Conference**

The annual one-day conference organized by the London Branch of The Institute of Office Management is to be held on March 8th at the Connaught Rooms, London, WC2.

At the morning session Mr D. M. Preston, computer research, B.B.C., will deliver an address on 'Developments in office automation' and Mr H. Eaton Hart, M.C., director of Peek, Frean & Co Ltd, will speak on 'A director's view'. Sir Nutcombe Hume, K.B.E., M.C., chairman of the Charterhouse group of companies and a member of the Grand Council of the Federation of British Industries will speak, after lunch, on his views concerning the future of British business. At the afternoon session there will be a symposium under the title 'Shaping the future - people and opportunities' when the chair will be taken by Miss Betty Sharp, O.B.E., of the Industrial Welfare Society. Speakers will include Miss H. M. Harding, branch manager, Barclays Bank Ltd, and Mr R. W. Cox, personnel manager, Crosse & Blackwell Ltd. During the conference there will be a working exhibition of office equipment.

Further particulars may be obtained from the conference secretary, Mr J. C. Durnin, F.C.A., c/o Clark, Battams & Co, 32 Victoria Street, London, SW1.

**ACCOUNTING ASSOCIATIONS  
AMALGAMATE**

Agreements have recently been signed under which members of the Association of Practising and Commercial Accountants Ltd are to become members of the British Association of Accountants and Auditors Ltd. The amalgamation takes effect as from February 1st, 1961.

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**THE CHARTERED ACCOUNTANT  
STUDENTS' SOCIETY OF LONDON****Spring Residential Course**

The London Students' Society has arranged a week-end residential course at Corpus Christi and Emmanuel Colleges, Cambridge, from Thursday afternoon, April 6th, to Sunday morning, April 9th. Intended for articled clerks who have not yet sat for the Intermediate examination, the course will be modelled on those held in previous years which proved so stimulating and helpful to students.

Each lecture will be followed by discussion in groups, and then a final meeting with the lecturer at the end of the day. The object of the course is not only to give basic knowledge, but also to provide opportunities for the development of clear thinking and expression.

*Thursday afternoon:* 'The Queen's peace', by Sir Theobald Mathew, K.B.E., M.C., Director of Public Prosecutions.

*Friday morning:* 'The economics of industrial relations', by Mr Leonard Murray, B.A., Secretary, Research and Economic Department, Trades Union Congress.

*Friday afternoon:* 'Why cost it?', by Mr E. H. Davison, F.C.A., Treasurer, Courtaulds Ltd.

*Saturday morning:* 'A true and fair picture', by Mr Hervey Adams, R.V.A., Art Master at Tonbridge School.

*Sunday morning:* Service in college chapel. 'How laws are made', by Mr Geoffrey P. Stevens, M.P., F.C.A.

The fee, which covers transport to and from Cambridge, and accommodation throughout the course, is £5 10s payable on application. As accommodation is limited, students wishing to attend the course should write to the secretary of the Society as early as possible: the final day for receipt of applications is February 28th.

**Next Week's Meetings**

The following meetings of the Society will be held during next week:

*Monday, 5.30 p.m.,* at the Institute: Lecture on 'Management accounting as a branch of public practice', by Mr P. Livingstone Armstrong, F.C.A. Chairman: Mr Douglas A. Clarke, LL.B., F.C.A., a member of the Council of the Institute and a Vice-President of the Students' Society.

*Tuesday, 6 p.m.,* at the Institute: Balloon debate with commentary by Miss H. M. Taylor.

*Wednesday,* visit to the offices of E. K. Cole Ltd (South-end branch members).

*Thursday, 5.15 p.m.,* at the Institute: Introductory course lecture on 'Details of final accounts' by Mr F. R. Porter, F.C.A., A.C.W.A.

*Friday, 5.15 p.m.,* at the Institute: Introductory course lectures on 'The taxation system', by Mr F. R. Porter, F.C.A., A.C.W.A., and 'The ownership and control of a business', by Mr P. W. Medd, Barrister-at-law.

*Saturday,* Badminton v. Imperial College.

**LIVERPOOL SOCIETY OF  
CHARTERED ACCOUNTANTS****Intermediate Prize**

The Committee of the Liverpool Society of Chartered Accountants announces that its Intermediate Prize will be awarded to the candidate who, being a member of the Liverpool Chartered Accountant Students' Association or any one of its constituent branches, gains the highest place in the Institute's Intermediate examination held in November last. The prize will take the form of a book to be chosen by the President of the Society.

It is the responsibility of the student to apply for the prize. Applications should state the position gained in the examination and should be sent to the Hon. Secretary, The Liverpool Society of Chartered Accountants, 3 Stanley Street, Liverpool 1, within two calendar months after the announcement of the results of the examination.

**THE ACCOUNTANTS' CHRISTIAN  
FELLOWSHIP**

'Windows of the soul' is the title of a film which will be shown at a meeting of the Fellowship at 6 p.m. on Tuesday next, in the Oak Hall of the Institute. The showing of the film will be followed by a business session for the annual general meeting of the Fellowship. All who are interested will be welcome.

**ANNOTATED TAX CASES**

Part 4 of Volume XXXIX of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports with notes on the judgments of the following cases: *Barclays Bank Ltd (Cheetham) v. Naylor* (Ch.D.); *Centon Finance Co Ltd v. Ellwood*; *Tableau Holdings Ltd v. Williams* (Ch.D.); *H. J. Rorke Ltd v. C.I.R.* (Ch.D.); *Abbott v. Philbin* (H.L.); *Independent Television Authority and Associated-Rediffusion Ltd v. C.I.R.* (H.L.); *Cooke v. Haddock* (Ch.D.); *Amis v. Colls* (Ch.D.); *C.I.R. v. Harton Coal Co Ltd* (Ch.D.).

The annual subscription to the *Annotated Tax Cases* is 30s post free; the publishers are Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.

**INSTITUTE EXAMINATION**

It is regretted that in the Final examination published in our last issue, a misprint in the name of Mr S. Kershen, to whom Mr (a successful candidate) is articulated.

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# THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

## Results of Examinations held in December 1960

### FINAL EXAMINATION

#### PARTS A AND B

*First Place (S. Laurence Gill Prize):*

Teutsch, Walter, Tel Aviv.

Alalade, D. O., Ibadan, Nigeria.  
Bayliss, J. W., Billericay, Essex.  
Brazel, G. A., Swansea.  
Brock, A. P., Manchester.  
Dixon, G. S., Glasgow.  
\*Geering, C. W. R., Ashford, Kent.

Gracie, C. F., Halfway House, South Africa.  
Harrison, P. G., Woking, Surrey.  
Hogg, J. J., Edinburgh.  
Humphreys, P., Liverpool.  
Hutcheson, D., Bogota.  
Koch, B. W., Durban.

Majumdar, S., London, NW6.  
Mason, G., Liverpool.  
Shah, A. K., Lugazi, Uganda.  
Simmonds, K., Boston, U.S.A.  
Smith, C. G. R., Durban.  
Trimble, T. W., Runcorn, Cheshire.

\**Leverhulme Prize for Cost Accountancy.*

123 candidates sat. Of these, 19 candidates (as listed above) passed Parts A and B; 15 candidates passed Part A only, and 26 candidates passed Part B only, 63 candidates failed.

### PART A (COMPLETING FINAL)

Absalom, T. M., Pewsey, Wilts.  
Alderson, J. A., Nairobi.  
Ali, S. V., Tando Mohd Khan, Pakistan.  
Anderson, R. G., Wednesbury.  
Andrews, B., Bristol.  
Barbieri, M. A., Durban.  
Bather, J. E., Warrington.  
\*Baxter, J. W., London.  
Bennett, F. A., Sandiacre, Notts.  
Bentley, K., London.  
Bentley, T. J., Manchester.  
Betts, J. H., Nottingham.  
Bowen, J., Colwyn Bay, Denbighs.  
Bower, J., Rotherham.  
Bowles, L. S., Chelmsford.  
Bowran, J. M., Manchester.  
Brimble, M. J., Caerphilly, Glam.  
Brooking, R. M., Leamington Spa.  
Brooks, C. A., Chertsey, Surrey.  
Brown, A. S., Bradford.  
Brown, R. P., Bristol.  
Bysouth, J., London.  
Cashmore, M. E., Birmingham.  
Casson, H., Coventry.  
Castledine, A. B., Baldock, Herts.  
Caulfield, F. J., Dublin.  
Chadwick, T., Liverpool.  
Chase, A. G., Blackburn.  
Chowdhry, B. K., Karachi.  
Church, A. E., Liverpool.  
Churms, K. J., Wolverhampton.  
Clark, L. R., London.  
Clarke, A., London.  
Clery, N. W., Dublin.  
Collins, R. G., Sutton Coldfield.  
Collis, E. T., Johannesburg.  
Conibear, D., Bristol.  
Cooke, G. T., Sandbach, Cheshire.  
Cooper, A. G., Birmingham.  
Corrie, W. F., Manchester.  
Coughlan, D. J., Bradford.  
Craggs, G. T., Thornaby-on-Tees.  
Craig, J. F., Derby.  
Crook, S. R., Chippenham.  
Cummings, R., Chester-le-Street, Co. Durham.  
Cunningham, J. P., Cork.  
Dalmeyer, W. G. A., Benoni, South Africa.  
Dann, L., Chelmsford.  
Davies, J., Harrow.  
Davison, J. C. E., Swindon.  
Delanoy, R. L., Stockton-on-Tees.  
Dilks, D. W., Ashbourne, Derbys.  
Doyle, B., Sunderland.  
Dresser, B., Leeds.  
Drever, I. K., Dundee.  
Duncan, A., Kettering, Northants.

Duncan, W., Sunderland.  
Eastwood, D., Manchester.  
Edwards, R. F., Southampton.  
Elder, J. M. C., Coventry.  
Elson, F. A., Hemel Hempstead.  
Eye, A. R. W., Brampton, Cumbria.  
Fisher, W. D., Carlisle.  
Fraser, R. S., Preston.  
Frieze, M. I., Glasgow.  
Garga, R. P., Calcutta.  
Gibson, J., Maidenhead.  
Gill, R., Nottingham.  
Gillespie, N. D., Sutton Coldfield.  
Good, C. H., London.  
Gorrie, J. N., Glasgow.  
Graham, W. J., Stirling.  
Grandage, C., Preston.  
Grant, B. D., London.  
Griffin, T. W., Maidenhead.  
Grindey, A. F., Bradford.  
Hall, A. N., London.  
Hearn, H., Erith, Kent.  
Heath, G. F., Biggleswade, Beds.  
Hemken, J. E., Chesham, Bucks.  
Henderson, I. R., London.  
Henning, W. H., Johannesburg.  
Henson, D. E., Loughton, Essex.  
Higham, D., Clitheroe, Lancs.  
Hill, A., Derby.  
Hiscox, J. G., Castle Bromwich.  
Hogg, R. D., London.  
Home, C. S., Huddersfield.  
Houghton, J. T., St Helens, Lancs.  
Houlton, G. H., Grimsby.  
Howarth, F., Oldham.  
Humphreys, E., Sheffield.  
Humphries, C. F., Cardiff.  
Hunt, J., Blackburn.  
Hussey, F. D., Uxbridge, Middlesex.  
Ison, R. G., London.  
Jackson, R., Darlington.  
Jakobsen, K., Milnerton, South Africa.  
Jethwani, B. K., Bombay.  
Johnson, B. C., St Albans.  
Johnston, W. B. M., Kirkcaldy, Fife.  
Jones, M. W., Port Talbot.  
Jordan, J. D., Renfrew.  
Khan, M. A., Karachi.  
Khan, M. R., Karachi.  
Kitching, H., King's Lynn.  
Knight, C. R., Coventry.  
Knight, T. R., Erdington, Birmingham.  
Kruger, J. P., Port Elizabeth.  
Kruze, H. K. P., Johannesburg.  
Logie, G. J., North Shields.  
Longden, W., Walsall.  
Lourens, R. M. C., Johannesburg.

Lowson, R. C., Bromborough, Cheshire.  
Lucraft, A. R., Stevenage, Herts.  
McBeath, P., Newcastle upon Tyne.  
McDuff, E. C., Bangor, Co. Down.  
Macindoe, R., Edinburgh.  
McLachlan, A. M., Liverpool.  
McLeod, D. W., Glasgow.  
McMurdo, I., Dalry, Ayrshire.  
Machin, J. J., Salisbury, Southern Rhodesia.  
Manikkam, R., Bombay.  
Marwick, C. T. B., Pietermaritzburg, South Africa.  
Mathews, C. M., London.  
Matthews, C. A., Coventry.  
Maynard, R. E., Sunderland.  
Meek, S., Portsmouth.  
Moorey, T. J., Rochester, Kent.  
Morgan, G., Redditch.  
Morgan, H. P., Bromsgrove.  
Moss, E. L., Worcester.  
Murray, G. F., Cork.  
Murthy, H. S. K., Bombay.  
Nagaraja Rao, H., Calcutta.  
Nayak, C. M., Baroda, India.  
Naylor, A. H., Harlow.  
Newman, G. J., Bristol.  
Niyogi, S. K., London.  
Norman, W. T., Alloa, Clackmannans.  
O'Donnell, J. D., Dublin.  
Ogunje, G., Birmingham.  
Olver, A. H., Durban.  
Orrell, K. R., Heston.  
O'Sullivan, M. A., Dublin.  
Parry, R. J., Chester.  
Parsons, D. E., Coventry.  
Parsonson, C. J., Port Elizabeth.  
Penny, V. J., Rochester, Kent.  
Perks, A. G. R., Twyford, Berks.  
Perry, J. J., Stoke-on-Trent.  
Phillips, G., St Helens, Lancs.  
Pinder, C., Cleckheaton, Yorks.  
Povey, P. C., Wolverhampton.  
Preece, R., Middlesbrough.  
Punwani, G. C., London.  
Qureshi, M. I., Sharigh, Pakistan.  
Qureshi, M. A., Lahore.  
Rajan, T., Bombay.  
Raman, G., Calcutta.  
Rawlins, D. R., Harrow.  
Read, W. L., Scunthorpe.  
Reakes, M. M., Northwood, Middlesex.  
Rimmington, M., Derby.  
Roberts, G., Maidenhead.  
Roshan, M., London.  
Rushton, D. R., Romford, Essex.  
Rutherford, R. N., Wembley.  
Saunders, G. H., Didcot.

\**Donald L. Moran Prize for Management - Factory and Distribution*

Schaffer, G. L., London.  
Sen, P., Calcutta.  
Seshagiri Rao, H. R., Bangalore.  
Sharma, O. P., Patiala, India.  
Sharp, G. K., Glasgow.  
Shooter, B., Dundee.  
Silver, D., Crawley.  
Singh, G., Delhi.  
Skidmore, D. J., West Bromwich.  
Sloane, G. R., Pretoria.  
Smith, A., Burnley.  
Som, D., Calcutta.  
Sorrill, K. R., London.  
Steenkamp, G. P., Johannesburg.  
Stevenson, B., Sheffield.

Stickland, R. L., Derby.  
Stilling, P. J., Petts Wood, Kent.  
Subramanian, R., Madras.  
Sundaram, M. R., Calcutta.  
Taylor, A. D. F., Yeovil.  
Taylor, D., Stapleford, Cambs.  
Taylor, F. M., Borrowash, Derbys.  
Temple, R. S., Glasgow.  
Tetley, E., Halifax.  
Thackeray, A., Sheffield.  
Thornton, L. M., Leamington Spa.  
Tilley, G., Neston, Cheshire.  
Todd, B. A. C., Liverpool.  
Tomlin, P. C., Harrow.  
van den Berg, J. P., Pretoria.

Wale, M. H., Harrow.  
Wathey, H. R., Manchester.  
Watson, N., Sunderland.  
Webb, M. J., Luton.  
Wells, A. H., Dunstable.  
West, L. C., Bristol.  
Williams, L. G., Castle Bromwich.  
Williams, M. L., Coventry.  
Wilson, D. G., Erdington, Birmingham.  
Wolfe, B. J., London.  
Wood, B. L., Warrington.  
Wright, G. L., Port Elizabeth.  
Wright, H. E., Leigh, Lancs.  
Wyatt, J. A., Coventry.  
Yuill, K. M., Motherwell.

644 candidates sat. Of these, 214 candidates (as listed above) passed; 430 candidates failed.

### PART B (COMPLETING FINAL)

Alvi, M. Y. A., Liverpool.  
Ascott, R. F., Cheadle Hulme.  
Beer, A. N., Andover, Hants.  
Bridge, D. J., Romford, Essex.  
Briffett, D. J., Bristol.  
Brooking, D. L., Lusaka, Northern Rhodesia.  
Burgin, E., Sidcup, Kent.  
Callan, G., Ferryhill, Co. Durham.  
Carr, R. N., Newcastle upon Tyne.  
Cassidy, D. J., Solihull.  
Charlton, P. B., Toronto.  
Clayson, W. J., Wembley.  
Collett, B. F., Colchester.  
Cooke, E. S., Dublin.  
Cooper, C. A., Leeds.  
Cotton, M. J., Huddersfield.  
Creamer, S. L., Maidstone.  
Denny, G. E., Sidcup, Kent.  
Dickson, J. A., Glasgow.  
Doley, I. M., Northwood, Middlesex.  
Duncombe, T. H., London.  
Edge, M. J., Derby.  
Ellaby, W. H., Whitstable, Kent.  
Enstone, F. W., Welwyn.  
Farrar, D., Ripon.

Fitzgerald, D. A., Hassocks, Sussex.  
Forbes, J. D., Edinburgh.  
Game, D., Loughton, Essex.  
Gaskin, A. W., Brighton.  
Gill, E. A., Brierley Hill, Staffs.  
Gray, J., Helensburgh, Dunbs.  
Harris, C. D., Bristol.  
Hardman, D. F., Edinburgh.  
Holden, P. J. C., Didcot.  
Hughes, J. P. C., Edinburgh.  
Jackson, D. S., Egham, Surrey.  
Jarvis, D., Gillingham, Kent.  
Jarvis, K. W., Stroud, Glos.  
Landucci, G. L., London.  
Lees, B. H., Ashton-under-Lyme.  
Lilley, J. F., Southall, Middlesex.  
Lincoln, E. J., Aylesford, Kent.  
McGuckin, M., Newcastle upon Tyne.  
McKinnon, R. H., Greenock.  
Merlie, G. I., Tynemouth.  
Millar, W. J. H., Glasgow.  
Munday, K. W., Maidstone.  
Murray, S., Leeds.  
Nolan, M. J., Paris.  
Ogden, F. V., Leeds.  
Osborn, P. J., Birmingham.

Oxenham, H. B., Birmingham.  
Rahman, A., Lyallpur, Pakistan.  
Rahman, M., London.  
Ross, A. J., Staines, Middlesex.  
Rothwell, A., Leeds.  
Ryder, R. F., Leicester.  
Sen Gupta, K. P., Asansol, India.  
Sims, G., Chesterfield.  
Smart, H. P., Sutton Coldfield.  
Stehli, P. H., London.  
Strang, A., Glasgow.  
Sutton, D. F., Sudbury, Suffolk.  
Swift, A. J., Sittingbourne, Kent.  
Thomas, C. V., Calcutta.  
Thorne, R. H., Nicosia, Cyprus.  
Throsby, A. E., Derby.  
Tyers, R., Manchester.  
Viswanathan, V. I., Madras.  
Wade, R. J., Billericay, Essex.  
Ward, J., Northfleet, Kent.  
White, J., Upminster, Essex.  
Wilson, C., Briton Ferry, Glam.  
Winstanley, J. M., Liverpool.  
Woodhouse, P. T., Huddersfield.  
Yourston, G. L., Richmond, Surrey.

131 candidates sat. Of these, 76 candidates (as listed above) passed; 55 failed.

## Summary of Results

GRADE	PASSED	PASSED	PASSED	PASSED	PASSED	FAILED	NUMBER OF CANDIDATES
	Completing Examination	Intermediate Part I only	Part A only	Part B only	TOTAL		
FINAL							
Parts A and B .. ..	19	—	15	26	60	63	123
Part A (Completing Final)	214	—	—	—	214	430	644
Part B (Completing Final)	76	—	—	—	76	55	131
Part A (only) .. ..	—	—	36	—	36	88	124
Part B (only) .. ..	—	—	—	266	266	541	807
TOTAL .. ..	309	—	51	292	652	1,177	1,829
INTERMEDIATE							
Parts I and II .. ..	95	80	—	—	175	228	403
Part I .. ..	—	367	—	—	367	898	1,265
Part II .. ..	385	—	—	—	385	901	1,286
TOTAL .. ..	480	447	—	—	927	2,027	2,954
GRAND TOTALS ..	789	447	51	292	1,579	3,204	4,783



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## The Chancellor's Task

THE CHANCELLOR OF THE EXCHEQUER is going to have little room for manoeuvre on Budget day. Now that the Vote of Account has been presented to Parliament it is possible to see just how far the Government's fiscal position has been attacked by rising wages, salaries and prices. If the CHANCELLOR is to offer an incentive Budget to income earners above a certain level, and he has received a considerable amount of gratuitous advice to do so, he is likely to have to perform a good deal of jugglery.

According to the Vote of Account presented to Parliament last week, the estimated defence and civil expenditure in the new fiscal year is going to be £5,187 million compared with £4,907 million in the original estimate for 1961-62. This is an increase of £280 million. The estimated outlay on defence is £1,656 million compared with the revised figure for 1960-61 of £1,616 million. The civil estimate for the incoming year is £3,531 million against a revised estimate for this year of £3,440 million.

Increased expenditure on education is reflected in the coming larger grants to local authorities and there is an allowance for higher police costs. National insurance and family allowances are higher and the health service is about £6 million up at £807 million, including back pay for doctors and dentists - a once only item. There is also provision for an increased road programme.

The big unknown, so far as the outcome of the current fiscal year is concerned, is the revenue. This is likely to have been a disappointing year but on the other hand that does not necessarily mean that the new one will be no better, for there have been salary and wage increases of late from which revenue will benefit. A recovery in consumption could help indirect taxation. The current behaviour of the economy, however, does not suggest that there will be a prospective windfall for the CHANCELLOR to use for tax relief.

It would appear that the margin he will have at his disposal will be of the order of £50 million to £100 million. In spite of the wide discussion there has been about hopes of a serious revision in the tax structure, it looks as though Mr LLOYD will be able to avoid seriously disappointing people only if he is prepared to put up taxes in one place in order to lower them in another. But he may be lucky; the fourth quarter's revenue may be sufficiently buoyant to give him a high plateau from which to launch his 1961-62 revenue estimates. At the moment, however, the odds of this happening do not look very good.

# Depreciation and Provision for Replacement

by JOHN W. MATTHEWS, B.Sc.(Econ.), F.C.A.

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**A**N important principle of accounting method is that the telescoping of two entries into one is to be avoided, on the ground that this obscures the meaning of the record. Only where frequent repetition makes possible a worth-while saving of labour is it justifiable. Indeed, the characteristic of accounting as a 'technique of thinking' is to analyse events into separate elements and interpret each in isolation from the mass. The double-entry principle itself requires two statements to record what the man in the street expresses in one.

## Departure from Principle

Yet it appears that in one most important matter, the charging of depreciation of fixed assets, a departure from this principle has long been practised, to the deepening of our mystery and the confusion of those not initiated. When one tries to explain this particular adjustment it appears that, in charging depreciation against revenue, (i) the value of the asset in the books is reduced by a fair proportion of the whole to correspond, in reasonable measure, with the actual diminution in value which has taken place; (ii) the net profit for the year is adjusted to a truer estimate; and (iii) the necessary funds towards eventual replacement of the asset are set aside, all in one move.

This may be accepted by the orthodox as one of the minor miracles performed by a technique which the philosopher, Goethe, is reported to have counted among the greatest discoveries of modern times. It has to be admitted that the aesthetic appeal is a little diminished when inflation of the currency has to be reckoned with, requiring an 'excess cost' of replacement provision' which hangs loose, so to speak, in the balance sheet, attachable to nothing. The accountant may excusably blame the politicians and economic planners who fail to maintain a stable currency and so spoil his craftsmanship. How can the skilled worker produce his best work if he is condemned to use a measure which is continually expanding or contracting?

One salutary effect of changing money values has been to emphasize, because they are no longer equal in amount, that the occurrence of depreciation and the provision for replacement are two separate events; also that alternative principles may be followed: (a) that expenditure should be spread over the period during which the service paid for is enjoyed, and (b) that the value of the capital invested should be maintained. A simple analysis reveals the logical steps hidden in the established procedure, and shows that both principles can and should be applied in conjunction. Depreciation is the application of (a) and provision for replacement of (b).

Assume the simplest possible example of a business employing capital, that of a sempstress with only one major item of equipment, a hand or treadle sewing machine, all materials being provided by the customers, so that there is no investment in stock. The initial investment is, say, £100, and the estimated life of the machine ten years without remainder value. At the end of the first year the value of the equipment can be fairly estimated at £90. This is also the value of the capital invested. The accounting entry to record this should be:

Capital Dr. to Equipment: £10.

In order to restore the lost capital, which is the same as to make provision towards eventual replacement, a charge is made against profits:

Profit and Loss Dr. to Provision for Replacement: £10.

Following the logic of the argument, the credit entry here could be to capital account, cancelling the debit from the previous entry. In practice, therefore, the two entries could be telescoped into one, the traditional entry:

Profit and Loss Dr. to Equipment: £10.

(These days, because of the requirements of the Eighth Schedule:

Profit and Loss Dr. to Provision for Depreciation: £10)

and so the illogical expression 'provision for depreciation' becomes current jargon and two

events are compressed into one entry, their exact nature no longer apparent.

In company accounts, it is submitted, the proper way to record the adjustment for depreciation and the provision for replacement is as follows:

Capital (or General) Reserve *Dr.* to Depreciation: £x.

Loss through depreciation (or proportion of expenditure written off).

Profit and Loss *Dr.* to Capital Replacement Provision: £x.

Maintenance of capital investment.

Capital or general reserve is designated in the first entry as being that part of capital which is not specifically allocated to shareholders. The term 'provision' is used in the second entry to comply with the Companies Act, as explained in the final paragraph. These entries, besides being correct in theory, obviate the awkwardness which arises with the customary method, when the instalment written off does not equal the amount required to provide for replacement, and furnish additional information for the balance sheet, namely, the part of the proprietors' interest in the undertaking reserved (subject to any deliberate or inadvertent use of provisions for financing operations) for replacement of fixed assets, in distinction from the part actually invested in operations. A better title, in fact, than the one given would be 'Provision for the maintenance of capital'. For the company may decide to discontinue a particular activity, but it would still be proper to recover the amount invested in that part of the operations for investment in some other, or to pay it back to the members.

### Claim on Funds

In general terms, the proposition here submitted is that a provision is not a reduction in the value of an asset, although it is often equal to the reduction, but is a claim on funds.<sup>1</sup> In the case of a replacement provision it is part of the proprietors' interest in the undertaking, a capital reserve. The 1948 Companies Act was not drafted in these terms. Here is the relevant wording of the Eighth Schedule (the italics are the writer's):

<sup>1</sup> As a general proposition this would apply also to provision for bad debts, which ought to be shown, not as a deduction from debtors, but under current liabilities and provisions as a claim on funds saved out of profits. Deduction from debtors conceals the fact that cash has been set aside over the years by the amount of the provision. As this is, in theory if not in practice, a current charge in respect of possible loss on debts currently incurred, no break-up into separate concepts seems required.

paragraph 5 (1) (b):

'... the aggregate amount *provided or written off* ... for depreciation or diminution in value.'

paragraph 5 (2) (b):

'... assets the replacement of which is provided for ... by making provision for renewals and charging the cost of replacement against the provision so made. ...'

paragraph 12 (1) (a):

'the amount *charged to revenue* by way of *provision for depreciation, renewals or diminution in value* of fixed assets;'

paragraph 14 (2):

'If *depreciation or replacement* of fixed assets is *provided for* by some method other than. ...'

paragraph 27 (1) (a):

'the expression "provision" shall ... mean any amount *written off or retained* by way of *providing for depreciation, renewals or diminution in value* of assets. ...'

Of these quotations, the wording of the second only is admissible if the above proposition is accepted. (In a former article<sup>2</sup> the present writer argued that replacement of fixed assets should always be charged against the provision, this being the logically correct procedure.) It is obvious that, if the argument put forward is correct, the phrasing italicized is inappropriate. Sums are 'written off' by way of depreciation; they are 'provided', or 'charged to revenue', or 'retained', for renewals or replacement. 'Written off' is not equivalent to 'charged to revenue' because depreciation is written off against capital, as being a straight reduction in the value of property and in the owners' entitlement. A well-known phrase of Lindley, L.J., in *Verner v. General Commercial & Investment Trust Ltd* (1894) acquires a clearer significance in this light. To say that 'fixed capital may be sunk and lost' is to imply that replacement is not intended, and that in such a case provision for replacement, the 'charge to revenue' which was in question, may not be required. It does not imply that depreciation need not be recorded. This should still be done to show a true and fair view of the state of the company's affairs. The adjustment, if entered as explained, is outside the revenue account. It would be interesting to know when the expression 'provision for depreciation' first came into common use among

<sup>2</sup> 'Capital and Revenue Expenditure', *The Accountant*, December 12th, 1959.

accountants. It does not occur, so far as the writer has been able to discover, in any of the judgments given in the early cases on the subject of divisible profits. Perhaps this is a case of the professional being too familiar with his own technique, so that the lawyers were able to see the problem more clearly than the accountants.

To comply with the wording of the Eighth Schedule, both aggregate depreciation and provision for replacement must be shown in the balance sheet. The former needs to be recorded in the books separately from the asset accounts,

so as to provide this aggregate, but without the word 'provision' in the title of the account. The latter (a single total only is required) should appear in the balance sheet under 'Capital and undistributed profits'. As has been pointed out, it does give significant information. Strictly it is a capital reserve, but paragraph 27 (i) (a), quoted above, requires that it be called a provision. This is the only awkward effect of the faulty wording of the Act. In any revision of the Companies Act, the wording of the Eighth Schedule should receive careful attention.

## Contingent Receipts and Liabilities

(An Imaginary 'Brains Trust')

CONTRIBUTED

QUESTION MASTER: *The subject under discussion is the treatment of contingent receipts and liabilities for the purposes of income tax. To start off I will invite the team to suggest a definition of 'profits'.*

ROWLATT, J.: Lord Moulton's definition of profits in the *Spanish Prospecting Co* case, where Lord Moulton says that the profits are the excess of the assets at the end of the year over the assets at the beginning of the year (5 A.T.C. 715; 12 T.C. 1028).

LORD CLYDE: The profits of any particular year or accounting period must be taken to consist of the difference between the receipts from the trade or business during such year or accounting period and the expenditure laid out to earn those receipts (12 T.C. 823).

QUESTION MASTER: *How closely are these definitions followed in practice?*

LORD COOPER: Over a series of years in which income tax or excess profits tax is a more or less constant charge against earnings, it usually makes little or no difference in which year any given debit or credit is carried into the taxpayer's accounts (29 A.T.C. 248; 32 T.C. 115).

QUESTION MASTER: *To take a specific example, what is the position where an underwriter's agent is concerned? I believe that in the case of Gardner, Mountain & D'Ambrumenil Ltd an additional assessment was raised in respect of the company's commissions although these were not ascertainable*

*until long after the year in which the relevant policies were underwritten.*

VISCOUNT SIMON: In calculating the taxable profit of a business on income tax principles . . . services completely rendered or goods supplied which are not being paid for till a subsequent year cannot, generally speaking, be dealt with by treating the taxpayer's outlay as pure loss in the year in which it was incurred and bringing in the remuneration as pure profit in the subsequent year in which it is paid or is due to be paid. In making an assessment to income tax under Schedule D the net result of the transaction, setting expenses on the one side and a figure for remuneration on the other side, ought to appear (as it would appear in a proper system of accountancy) in the same year's profit and loss account (26 A.T.C. 145; 29 T.C. 93).

### Provisional Estimate

QUESTION MASTER: *I understand that in Gardner's case commission was due to be paid in March 1941 for the year ended March 31st, 1939.*

VISCOUNT SIMON: If the accounts for this last-mentioned period were made up before the amount of the commission was ascertained, a provisional estimate of what the amount would be might be inserted in the first place, and could be corrected, when the precise figure was known, by additional assessment or by a return of any excess within six years of the original assessment (26 A.T.C. 145; 29 T.C. 93).

QUESTION MASTER: *Yet in the case of Johnson v. W. S. Try Ltd, which dealt with compensation receivable, a somewhat different view was expressed.*

LORD GREENE: I can see nothing to prevent a board of directors making a fair estimate of what they are going to receive under an undoubted right which has accrued. . . . But I ask myself in the present case, what director, what accountant, could possibly in any circumstances in the case of this compensation, hedged around as it is with every kind of contingency and speculation, bring into the account any figure whatsoever as representing what they hoped they would get by way of compensation in the future (25 A.T.C. 39; 27 T.C. 182).

QUESTION MASTER: *Well, so far we have been talking about taking credit for receipts. I suppose the same principle holds good when it comes to out-goings?*

LORD HANWORTH: If there is a liability which is subsequently determined but which is none the less to be a liability existing at a particular date, the fact that it is, subsequently to that date, determined and ascertained, does not prevent that liability belonging historically to its right place in the accounts. The *quantum* of it is ascertained at a later date; but the payment is to be made as at the date when it rightly occurs in the accounts, even if the *quantum* of it cannot be fixed at that moment (7 A.T.C. 106; 13 T.C. 741).

### Contingent Liability

QUESTION MASTER: *I understand that these observations relate to the case of Bernard v. Gahan where the facts concerned a liability of £22,000 incurred by an exporter to his bank. The latter subsequently compromised the matter and accepted £8,000 in settlement.*

ROWLATT, J.: The bank wrote off no less than £14,000 out of the £22,000, and only took £8,000. That is a very curious happening. Certainly it did not operate to provide the appellant with a receipt in the ordinary course of business in the succeeding year. It is not, of course, the case of a debt which is allowed as bad producing some payment in a succeeding year. That, to my mind, is a perfectly different question. But here it is this debt owing by the trader, which suddenly eventuates as much smaller in the succeeding year. Now what is that? It certainly was not a profit of the next year. It seems to me either it

disappears from the accounts altogether, or it must be dealt with by writing down, in the year in which the debt was allowed, the figure of the debt to the sum at which it finally became effective (6 A.T.C. 995; 13 T.C. 735).

LORD COOPER: If in the earlier period there is only a provisional or contingent 'liability', it is not until it has been subsequently determined to be an actual 'liability' by admission or decision that it can properly be brought into computation; and it should then be debited, even if it is not until a still later period that the exact *quantum* can be inserted, if need be by reopening the accounts (29 A.T.C. 249; 32 T.C. 117).

QUESTION MASTER: *I believe that one or two cases went the other way in connection with excess profits duty in the First World War. One of them concerned H. Ford & Co Ltd against whom the Wheat Commission made a claim under contracts for the supply of wheat. The company had undertaken liability for detention of the carrying ships chartered to the Wheat Commission by third parties. The Wheat Commission made retentions but released them on protest by the company, without prejudice to the claims. The company claimed a deduction against 1920 profits of the claim in the sum of £33,847. The claim was abandoned in 1922 in consideration of material services then rendered by the company to the Commission.*

ROWLATT, J.: It should have been put in as a contingent liability, because the chances, which have in fact eventuated, of its not proving an effective loss were quite considerable (6 A.T.C. 106; 12 T.C. 1005).

QUESTION MASTER: *On the other hand where you get a loss which is experienced within the period of the accounts, should this not be recognized if effect is to be given to Lord Moulton's dictum which you referred to at the outset? I have in mind the case of the Naval Colliery which suffered flooding and other damage during the 1921 coal strike.*

### Prospective Cost

ROWLATT, J.: Those events happened during the accounting period ending at the end of June 1921. The necessary expenditure to pump out the mine and to recondition the ways and to do the necessary propping and so on was not incurred in that accounting period; it was, as a matter of fact, incurred afterwards. The question in this case is whether an amount, being from the point of view of the last day of the accounting period

the prospective cost of these operations, can be set off against the profits in the accounting period (5 A.T.C. 714; 12 T.C. 1026).

QUESTION MASTER: *What is the verdict?*

ROWLATT J.: In this case and in other similar cases, of course, the damage might not have been repaired. . . . The sum sought to be deducted is not an expense of the accounting period, but it is an expense of running the mine after the accounting period, if you do so (5 A.T.C. 714 and 715; 12 T.C. 1028 and 1029).

QUESTION MASTER: *I suppose one type of loss which occurs fairly frequently is that occasioned by falling prices where there are forward contracts. Of course where stock-in-trade is concerned it appears from the recently published recommendation of The Institute of Chartered Accountants in England and Wales that it may be quite legitimate to value stock at the lower of cost or replacement price.*

LORD SANDS: The consideration of how it would be prudent for a trader to act does not solve the question here presented to us as one of Revenue law. Under this law the profits are the profits realized in the course of the year. What seems an exception is recognized where a trader purchased and still holds goods or stocks which have fallen in value. No loss has been realized. Loss may not occur. Nevertheless, at the close of the year he is permitted to treat these goods or stocks as of their market value. This exception to the general rule has never, however, been extended to the case of probable or indeed apparently inevitable loss to be incurred in the execution of future contracts entered into during the year in question (12 T.C. 827).

### Provision for Losses

QUESTION MASTER: *I see that the Institute recommendation admits that goods purchased forward do not form part of the stock-in-trade but it does call for provision to be made for uncovered losses by reference to replacement price.*

LORD CLYDE: It is quite possible that although a balance sheet and profit and loss account show favourable results at their date, the trader may be aware of circumstances affecting his trade which make the outlook for the immediate future pregnant with loss. The circumstances in question may be in anticipation only or they may already have occurred but their inevitable effect has not

had time to reflect itself in the returns of his business. In such a case the trader may, as a matter of ordinary commercial prudence, decline to treat the profits shown in his accounts in the same way as he would have done if the circumstances of his business had been liable only to the normal fluctuations of trade. He may for instance prefer to carry his profits forward or put them to reserve, rather than consume or divide them, but they are none the less profits of the year or accounting period to which the accounts relate and as such assessable to income tax (12 T.C. 823).

QUESTION MASTER: *What about an insurance company?*

LORD CLYDE: In a business so peculiar as that of life insurance, actuarial estimates must be resorted to in arriving at the balance of profits and gains. And it must now be recognized in accordance with the judgment of the House of Lords in *Sun Insurance Office v. Clark* that a somewhat analogous method may be adopted in the case of a fire insurance business (4 A.T.C. 180; 12 T.C. 781).

QUESTION MASTER: *Is it considered that the treatment of insurance companies turns on their special circumstances or could it be followed in a case where there were losses on forward contracts, such as Edward Collins & Sons Ltd?*

LORD CLYDE: It seems obvious that the character and position of a fire insurance business – depending as it does on the chapter of accidents and involving payment of annual premiums in advance – are different from the character and position of an ordinary commercial business. There is no precedent that I know of for a claim such as that made by the appellants in the present case, although all commercial enterprise is subject to vicissitudes which may be, and now and then are, serious enough to cause grievous loss and even disaster. I confess to thinking that it would be a dangerous innovation to allow apprehended losses *in futuro* to constitute proper matter for deduction from the present profits of commercial undertakings (4 A.T.C. 181; 12 T.C. 782).

QUESTION MASTER: *That brings us to the end of this session. May I remind readers that this programme is recorded and the true significance of the observations brought to their notice can only be appreciated properly when read in the context of the cases in which they were uttered.*

# Developing the Audit Staff

by F. W. ALLAWAY, F.C.A.

**I**N considering what type of man is required for internal auditing, it becomes immediately apparent that the standard required is extremely high and if we are to tackle the staff problem properly, the matter requires very serious consideration. Indeed, the problem is of such magnitude that we shall never be able to say it has been solved; there will always be room for improvement and development.

When we speak of developing, we envisage a gradual growth in capability, sense of responsibility and in all-round usefulness. It is probable that the individual's ideas of his own development are different from and may be in conflict with the ideas of his superiors for the development of the individual and/or the department to which he belongs.

One of our tasks is to reconcile these ideas which can sometimes be so very different. If the two viewpoints remain at variance, no proper progress can be made and it is obvious that the best interests of each party cannot be satisfied unless they are both following out an agreed plan. This, of course, is a general staff problem not confined to internal audit work, and co-operation can only be achieved by full and frank discussions by a manager with the individual members of his staff; this must include the question of faults and failings as well as congratulations on good achievements. Each individual should know to whom he is responsible and what is expected of him.

## Delegating Responsibility

The definition of audit staff, of course, depends upon the set-up of the company concerned and, I think, must include the person who is in charge of the audit department. This means that many of us have to think of our own development as well as that of the people who are responsible to us and for whom we are responsible. Our own development will affect the progress of those working under us and we ought to guard against the too common failure to delegate responsibility. It is sometimes necessary to take some risks, in order to give opportunities to those responsible to us. Within reason there is much to be said for giving people the opportunity of showing their capabilities.

How, then, should development take place? It should not be a matter of chance but should be carefully planned, preferably by seeing that every individual knows what his superiors' development plans are and how he fits in. In all these things, we are concerned very much with individuals and with individual personalities, and we must recognize that

some people cannot develop as quickly as others, and perhaps in some cases not as much as others.

I think it would probably be true to say that as an internal audit department develops, ideas regarding the type of staff required alter. At least, this has been my experience, and I am prepared to admit that this may be mainly due to the fact that the ultimate development was not clear when we started to build up our internal audit department. This, of course, is bad and illustrates the need for forward thinking if development is to take place.

If you start on too much routine work, there is a tendency to recruit routine workers or 'tickers' as we often call them. I think it is probably fairly general experience that staff of this type will not develop quickly enough to assume responsibility if the scope of the internal audit department is expanded. If, on the other hand, we start off by looking at internal audit in its widest aspects rather than the very routine checks of petty cash etc., I think we immediately go out for staff of the very highest quality, and it should be one of their responsibilities to recruit and educate more junior staff to assist them and probably eventually to take over from them.

## Value of Professional Training

When looking for senior internal audit staff I normally recruit people who have had professional experience. I do not think this is because my own training was professional, but I have found that the broader outlook required is usually present in a professionally trained man and it is very much more difficult for someone who has spent all his life in one or two commercial jobs to have that same breadth of vision. This is, however, by no means a hard and fast rule and we must always remember that internal audit requires a considerable knowledge of the operations subjected to audit and in this respect an entrant from outside the organization is at a disadvantage.

I would expect recruitment for the more junior positions to be made from people who have had some experience in the profession, but I think we should pay more attention to personality and experience at this stage. If the individuals concerned have not had professional experience, I would try to give them the best substitute we can find. It is perhaps easier in a group which is fairly widespread and where all the activities, particularly on the manufacturing side, can give a fairly broad experience.

In all cases we ought to be very careful to see that no one is trying to audit things which they do not fully understand. In some cases it might be necessary to insist that no one should be in charge of an audit of a complicated procedure of which they had no



practical experience. However, everyone has to start somewhere and it is often difficult to enable a man to get the requisite training unless we are prepared to take him out of internal audit for a time, and once he has left it is almost impossible to get him back.

Every recruit to internal audit should be encouraged to study. Unless he does, he cannot hope to cope with the work we want him to do and he will not be capable of developing on the lines we want. All juniors in our organization are expected to study for a qualification, and any who are not prepared to do so or who cannot do so, show themselves not to be suited to the work for which they are required. The courses of lectures arranged by the London Chapter are very helpful in this respect and enable the more junior members of our staff to broaden their horizons.

There are many advantages in continuity, and although I would want staff to get the widest possible experience, I do not feel that they should be changed around at too frequent intervals.

### Guarding against 'Dead-end Job' Outlook

We have to guard against an impression which sometimes gets around that internal audit is a dead-end job and that although the staff can advance reasonably well, particularly from junior to semi-senior and senior, it sometimes does not qualify them for the more senior positions in the accounting organization. This should not be so if the scope of the internal audit itself is not restricted. If the internal audit staff are examining many of the activities of business, they should be in a reasonable position to apply and be considered for many of the accounting and even managerial jobs which become vacant.

I think we must, however, recognize that although many people may want to manage, there are few who are capable of doing so, and we must encourage people to think of developments in their own job of internal auditing or whatever it may be rather than to be continually seeking outlets into what they feel to be higher fields. We cannot all be managers and this again is a question of the individual recognizing his limitations, and the job of his superior is to see that the staff know that within those limitations they will be encouraged to develop to the full extent. Some will go farther than others and those who are left behind must be told why.

If the right type of staff are recruited into internal audit and they take their opportunities, they would be well suited for any job which might arise. In any case I do not think we ought to look upon internal audit as a dead-end job. If the department is accepted by top management as fulfilling a useful function, it should provide plenty of opportunity in itself for the right type of person. We have to reconcile ourselves to the fact that if our training is right some members of our staff will pass on to other companies if we are unable to find the right openings for them at the right time. This is not a bad thing and I would suggest that mobility of labour in the internal auditing profession should be encouraged as much as possible,

at least up to a semi-senior level. There are, of course, various things such as restrictions on transfer of pension rights, which do not encourage transfers but the trend seems to be for these restrictions to decrease.

We cannot expect staff to develop unless they have a good example set from above and unless they have contact with their immediate superior. This contact is essential because helpful criticism is one of the most useful means for development of staff. It is very easy for slackness to creep in in such departments as internal audit if contact with the immediate superior is not well maintained – and slackness is one of the worst enemies of development.

### Practical Points

At this stage it may help to summarize some of my thoughts if I tell you some of the ways in which these matters are tackled in my own group.

- (1) Whenever the head of department comes across an interesting or instructive piece of information or lecture, he takes steps to ensure that copies are distributed to or made available to all the staff.
- (2) Regular meetings of staff are held in order that recent matters of interest peculiar to audit, which have arisen during the course of work carried out, may be discussed.
- (3) Senior members of the staff are instructed that they are to give time to junior members for the purpose of instruction in the general principles of auditing and accountancy.
- (4) Junior members of the staff are encouraged to attend the series of lectures held by the Institute of Internal Auditors for members' assistants.
- (5) Senior members of the staff are encouraged to join the Institute and to take advantage of all facilities that are offered.
- (6) The Institute's journal and other professional publications are passed round to the staff for general information.
- (7) Junior members of the staff are encouraged to further their own knowledge by private study for membership of professional bodies.
- (8) The organization of the staff should be such that senior staff have sufficient time available to keep abreast of current affairs and to plan the detailed operation of their section of the department.

I have put before you some of my thoughts on the subject of 'Developing the audit staff' – perhaps in not very logical order – and it may be useful to sum up: we should try to develop both ourselves and our staff to the utmost extent, to be able to cope with the problems of modern business. Technical skill and ability arising from practical experience are important, but other more personal qualities are what really count and are particularly important in staff selection. Unless we have people with the right potential, we cannot possibly expect them to develop into the kind of auditors who will be required in the future, however we train, encourage or drive them.

# Weekly Notes

## The Association's Examination Results

THERE were 1,843 candidates for the December 1960 examinations of The Association of Certified and Corporate Accountants, and the results, now announced, show that 611 were successful.

In Section I of the Final there were 561 candidates of whom 157 (28 per cent) passed, the First Place being won by Mr I. F. Scott, of Edinburgh. The Second Place was won by Mr J. P. Cleland, of New Milns, and the Third Place by Mr C. R. Hipper, of Norwich. In Section II, a total of 425 candidates sat, of whom 189 (44.5 per cent) were successful. The First Place and Prize were won by Mr M. A. Adekoya, of London; the Second Place by Mr S. Gallagher, of Edinburgh, and the Third Place by Mr D. O. Alalade, of Leeds.

There were 767 candidates for the Intermediate examination, of whom 226 (29.5 per cent) passed, the First Place being won by Mr L. J. H. Baulch, of Hayes, Middlesex.

In the Preliminary examination, 39 candidates (43.3 per cent) out of a total of 90 were successful.

The names of the successful candidates in Sections I and II of the Final, together with a full summary of the results, appear elsewhere in this issue.

## Strict Borrowing Control in Jersey

WHEN the United Kingdom imposed comprehensive borrowing control in 1946 as part of the peacetime law, Jersey followed suit. This has had the incidental effect of hampering schemes to avoid British estate duty. Broadly speaking, this duty does not extend to property outside Great Britain which, by the local law, is immovable. Now a certain type of mortgage on property in Jersey falls into that category. Accordingly there has been growing pressure by rich people in Great Britain to lend money on these mortgages, sometimes for as little as 1 per cent interest. Borrowing control limited the amount which an islander could borrow, and therefore the amount which could be lent to him, to £10,000. However, the would-be borrower could form companies to borrow for him (as seems to have happened in the State Building Society affair). Now, at the invitation of the British Government, Jersey has decided to apply strict control of borrowing, for the express purpose this time of countering schemes to avoid British estate duty. It is said that some £10 million is now owed to British residents on Jersey mortgages and presumably it is not intended that this sum shall go much higher. On the other hand it is an indication that the gap is not to be closed by fiscal legislation here; if it were there could be a flight of capital from Jersey which might have serious economic repercussions.

## Income Tax Anomaly

THE Country Landowners' Association has asked the Chancellor of the Exchequer to look into what appears to be a curious taxation anomaly of considerable importance to many taxpayers and most trading concerns. Such is the complexity of taxation today that many people cannot possibly make their returns before the Inland Revenue make their assessments on an estimated basis. In a recent case such an assessment was made; it was appealed against and adjusted by agreement. Afterwards the taxpayer found a mistake in his return on quite a different point from that at issue in the appeal, and he claimed relief for this mistake under Section 66 of the Income Tax Act, 1952. The Special Commissioners refused relief, however, on the grounds that the taxpayer had made his return as evidence in support of his appeal, and not 'for the purposes of assessment' as the Act prescribes.

The C.L.A. feels strongly that legislation is urgently needed to correct an anomaly which the Legislature cannot have intended when Section 66 was drafted. The Association has obtained the support of the Scottish Landowners' Federation, and is seeking the support of other bodies in its efforts to secure remedial action.

## Variation of Trusts in Scotland

THE law of Scotland as regards trusts and trustees is, of course, not the same as that of England, but as the fiscal laws are the same on both sides of the border it is not surprising to find Parliament legislating for both countries in such a way as to enable beneficiaries under trusts to be relieved of some of the burden of taxation where that burden is particularly heavy by reason of the inflexibility of the trust instrument. The Variation of Trusts Act, 1958, the purpose of which was, to quote from its long title, 'to extend the jurisdiction of Courts of law to vary trusts in the interests of beneficiaries and sanction dealings with trust property', did not extend to Scotland, but Section 1 (1) of that Act, which conferred the jurisdiction on the English Courts, has a close parallel in clause 1 (1) of the Trusts (Scotland) Bill, a Bill to 'amend the law of Scotland relating to trusts', which has now been amended by the Scottish Standing Committee.

The need for revision of the law so as to give a wider discretion to revoke and alter trusts in the interests of beneficiaries was recognized in the ninth report of the Law Reform Committee for Scotland, under the chairmanship of Lord Walker, which (as reported in *The Accountant* of September 17th, 1960) was invited by the Lord Advocate to consider and report upon the law relating to the powers of trustees to sell, purchase or otherwise deal with heritable property and the variation of trust purposes. The Bill gives effect to the recommendations of the Committee in this respect. In addition to giving the power to vary trusts referred to above, it validates certain transactions under which

trustees purport to act in pursuance of the powers given to them by Section 4 (1) of the Trusts (Scotland) Act, 1921, but the transactions in question are at variance with the terms or purposes of the trust. Clause 4 effects an addition of Section 4 (1) of the Act of 1921, while clause 5 validates the accumulation of income during minority notwithstanding that the period of accumulation begins during the life of the settlor and ends after his death.

### Another Plea for Decimalization

**I**N its latest broadsheet, P.E.P. predicts that within a few years the United Kingdom will be out of step, numerologically, with the rest of the world.<sup>1</sup> The double chance to give a lead to the Commonwealth by decimalizing the currency and to industry at home by adopting the metric system of weights and measures for the newly nationalized undertakings was lost immediately after the end of the Second World War. Governments, P.E.P. goes on to suggest, seldom plan beyond their five-year term of office because the expense and upheaval of major reforms are immediate while the credits, being slower to accrue, are likely to be reaped by someone else.

Written throughout in characteristically clear and forthright style, broadsheet 449 is yet another broadside to politicians of all parties that the United Kingdom must decimalize its currency and officially adopt the metric system of weights and measures not now, alas, to lead the world but merely to keep up with it.

### Housing Subsidy Changed

**A** WHITE PAPER called *Housing in England and Wales*<sup>2</sup> was issued last week by the Government pointing out important changes to be made in the housing subsidy system. The object will be to force local authorities, considered by the Government to have sufficient financial resources, either to charge more economic rents or to increase their charges for housing on the rates. The Government also intend to help the building of non-council houses for letting by making Exchequer loans of up to £25 million to approved non-profit-making housing associations who will let at economic rents. A means test is to be imposed on local authorities in relation to subsidies for new housing, so that those who satisfy it will receive £24 a house per year while those who do not will qualify for £8 a year. The effect of this will be to redistribute in future the Exchequer subsidy which will be about the same size as before but will now redound to the benefit of local authorities who are considered to require most assistance. Differential rate schemes will also be encouraged. The Government is expected to introduce a Bill to carry out the proposals in the White Paper during the present session.

<sup>1</sup> *Systems of Measurement*. Planning Vol. XXVII No. 449, February 20th, 1961. Political and Economic Planning, 16 Queen Anne's Gate, London, SW1. 3s net.

<sup>2</sup> Cmd 1290. H.M.S.O. price 1s.

The Government expresses itself satisfied with the reaction to the House Purchase and Housing Act, 1959, which established a new system of standard grants for improving housing. They consider, however, that houses lacking modern amenities are still widespread and a large programme of modernization is still necessary. They think that one of the most acute housing problems left to be tackled is the multi-occupation by families and lodgers of large houses designed originally for single families. These are found mainly in large cities or in old towns. The Government therefore propose using stronger and more selective powers to tackle this problem. Local authorities are to be able to make and enforce orders requiring individual houses to be maintained and managed in accordance with a code of good management. Their powers are also to be increased to require works to be carried out to make properties suitable for multi-occupation. Finally, under the new proposals houses and flats built for relief of overcrowding will qualify for the same rate of subsidy as all other houses built for approved purposes.

### Steel Prior Charge Stocks for Sale

**I**N the coming week some £85 million of steel prior charge securities are to be offered to the public. The underwriting of this large operation began this week. Twelve securities are involved belonging to seven companies which are Colvilles, Consett Iron Dorman Long, Steel Company of Wales, Stewarts and Lloyds, John Summers and The United Steel Companies. The nominal value of these securities is about £105 million, but as they are all being sold at significant discounts the cash value of the offer will be just over £85 million.

An attempt to cushion the effect of the sale has been made by making only 10 per cent of the nominal value of each security callable on application and a further 10 per cent payable on all securities in April (on May 1st in one instance), while later instalments vary for individual securities with dates spread over six months. Since a large proportion of these securities will almost certainly be taken up by the financial institutions, the call up of cash should not have a disturbing effect on the market. The terms of the issue are slightly more attractive than corresponding securities on the market at the present time. Debentures are likely to make a special appeal to pension funds because they have a fixed redemption date, while the attractive yield on the preference shares may well appeal to such institutions as investment trusts and to private investors.

### Sterling Formally Convertible

**L**AST week sterling, eight other European national currencies and one in South America became formally convertible. This means that each of these currencies assumes the full obligations under Article 8 of the Articles of Agreement of the International

Monetary Fund. This in turn means that exchange control cannot be reimposed on foreigners without I.M.F. agreement. The other countries accepting Article 8 are Belgium, France, Western Germany, Eire, Italy, Luxembourg, the Netherlands, Peru and Sweden.

All these currencies, including sterling, became convertible at the end of 1958. Since then, none of the countries concerned have imposed restrictions on non-residents using their currencies for ordinary purposes. The only remaining power used has been for the control of movements of capital. It would have been possible for any of these ten countries to have accepted the full obligation of Article 8 any time in the last few years but they have delayed from doing so for two reasons. First, they have wanted to be sure

that their currencies were strong enough to keep convertible without the need for discriminatory practices. Second, it might have been difficult to reconcile the maintenance of quota and similar restrictions of imports for balance of payments reasons by making their currencies formally convertible. In the last year and a half this country has practically got rid of all its trade restrictions except those maintained for reasons of Commonwealth preference.

One of the consequences of this move is that the I.M.F. can now accept repayment in any of these currencies. Under its articles of agreement the I.M.F. can only accept as a repayment currencies which are fully convertible. One of the results of the ten countries taking this step must be increased authority for the International Monetary Fund.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 65

WE'VE had some trouble with our projected export drive due mainly to a wrong allocation of overheads over varied categories of production, as our auditor pointed out. So he and I had a chat with the managing director one evening and we all three ultimately adjourned to the club to hammer out a new policy. We got more than we bargained for.

I had the bright idea, as I thought, that the senior audit assistant should be assigned to do a special survey of the factory. He's a very able young man, with a flair for costing and an analytical approach, and as his father is a biggish manufacturer, he has an industrial background. So I suggested that he might extend his scope, look into our piece-work rates for operatives and our overtime pay schedule, study the plant layout and the discharge-of-goods section, and so on. Our factory is rather old-fashioned; with men seemingly wandering about aimlessly and the clerks eternally filling in forms in quadruplicate, such a survey might inspire some ideas.

We've really no one able to do the job in our own organization. My two best men can't be spared from their own work and a junior I assigned to the job on a trial basis got bogged down in so much paper work himself that he produced nothing constructive at all. It seemed a good opportunity for our auditors to show their paces in a new field, and the managing director rather agreed.

But to our surprise, our auditor demurred. It wasn't really his function, he explained. His firm had a statutory obligation to the shareholders and were not experts on factory procedures; he felt that he couldn't, perhaps, do himself full justice - his assistants had never been trained in this sort of highly-specialized approach.

When we asked him if he did not think the project was worth development, he seemed rather opposed to the idea. Apparently his trouble was that training suitable accountants was expensive; they would need to do a special course during which time no income would accrue, and afterwards there was always the dire possibility that they might leave the firm for a better post. None of his partners wished to 'leave the profession' for this nature of consultancy work, he said, rather frigidly.

I felt that there was an inherent fallacy in his approach, as expenditure on training is essentially an investment to be justified by the higher remuneration to be earned as a result. Our director said mildly that he couldn't see why such service to a client should imply leaving the profession; it seemed to him to be a natural progression of basic audit work; higher fees were foreseeable. Our auditor, however, was obdurate.

Well, our director isn't a man who overrides the unwilling, so he finished his Martini and prepared to depart. As he left, he was hailed by a nearby character, a big, ruddy-faced local tradesman in a fair way of business. 'Couldn't help overhearing your talk,' he opened up. 'Why not have a session with my nephew, young Smith? He's set up as a consultant recently . . . no, not qualified exactly, but he has something much better, he's got tucks of experience . . . specializes in work-study, you know, time and motion, organization and method . . . all that new fangled scientific stuff. Why not let him telephone you for a chat? Absolutely no obligation, of course,' and they departed chatting amiably.

I feel there's a grim moral somewhere in this. There is a parable in the *New Testament* about some guests whose refusal to accept a wedding invitation forced their lord to scour the highways and byways for alternative candidates, thus excluding ultimately the original invitees. It seems regrettable that we should deliberately neglect to prepare ourselves for service which is in continual demand; if we restrict ourselves to being mere hewers of wood and drawers of water, we have only ourselves to blame.

# Finance and Commerce

## The Chairman's Statement

IT is difficult to understand why the information given by Mr L. Larholt, chairman of Whitefriars Investment Trust Ltd, at the annual meeting could not have been included in the company's report and accounts. Such an observation is not new to this column, though fortunately nowadays there is less occasion for comment of this nature. In earlier days it required supreme effort to persuade company chairmen to make their annual publication as informative as possible.

In the present case it was the shareholders themselves who, in effect, protested that they deserved better treatment. Mr Larholt's reply seems to disclose an extraordinary misconception of the true purpose of the annual report. He had always felt, he said, that the report should only deal with matters arising within the year of the accounts. The year of these accounts ended on April 30th, 1960, with the annual meeting being held nine months later.

The shareholders in Whitefriars Trust, indeed, had good reason for anxiety. The position disclosed in the accounts showed that the 60 per cent dividend had not been fully earned. Their 5s shares, which had been standing at well over £1, had dropped below 15s and the market's appraisal of prospects was a 16 per cent yield – a market basis that denotes grave doubts about the future. The position can be seen in the accounts which form the subject of this week's reprint.

## Scraping the Barrel

At the meeting, Mr Larholt dealt with the fact that 'to meet this dividend, we have had to draw to the extent of £12,000 on profits earned previously'. He agreed with shareholders' remarks that this was 'scraping the barrel'. But in reaching the dividend decision, he said, the board already had a fair idea of earnings in the subsequent year, the current year to April 30th, 1961. He assured them that the whole of the profits shown in the accounts to April 1960, apart from the amount he had mentioned earlier, was the result of the ordinary trading of subsidiaries whose accounts ended with that accounting period.

It had been suggested, added Mr Larholt, that they ought to retain profits and put them to reserve. But he believed that such a procedure merely created a position beloved by take-over bidders. His view was that shareholders should receive immediate benefit from profits earned, a policy that directors of other companies were also adopting. There was now a trend towards securities yielding higher incomes. He

assured shareholders that the company would pay at least 60 per cent for the current year, of which 30 per cent would be an interim payment in April.

But for what good reason, echoing shareholders' remarks at the meeting, could not all this have been stated with the accounts that showed the 'scraping of the barrel'?

## The Business

The company's name, Whitefriars Investment Trust, is really a misnomer. Present activities are more in the nature of an industrial holding company. The report with these accounts makes a brief reference to three subsidiaries: Turner & Savage Ltd; the Ross Ensign group, and Electrical Agencies (London) Ltd. What is said about all three hardly amounts to more than one hundred words and there is no indication at all of the nature of the subsidiaries' activities.

At the meeting, Mr Larholt said they had contracted to acquire a small manufacturing concern whose assets included surplus land scheduled for residential development. He expected to be able to sell land at a figure which would almost cover the purchase price. Agreement had also been made to purchase a firm of builders.

Whatever the future may hold for the company, the shareholders' plea at the meeting should not be ignored. Present-day standards require the accounts to be presented within a more reasonable time. The accounts should be accompanied with a reasonable amount of information about the subsidiaries' businesses, on how those businesses have prospered, or otherwise, in the year under review, and on what the prospects may be so far as can be seen when the accounts are issued.

## Tetley Walker

THE first accounts of Tetley Walker Ltd, as Lord Brockett, the chairman, has observed, are 'necessarily of a formal character'. The company was actually incorporated on July 4th, 1960; the accounting date is September 30th, and trading did not commence until the following day, October 1st, the effective merger date of the two brewery companies, Joshua Tetley & Son Ltd, and Walker Cain Ltd.

The Tetley Walker accounts are probably the most formal that ever have been presented at a first annual meeting. There is no profit and loss account, of course, and the balance sheet shows two £1 ordinary shares issued, represented by £2 in cash. Authorized capital is 100 £1 ordinary and 19,999,900 £1 unclassified shares. Included, however, are the accounts for the year to September 30th, 1960, of the two constituents of the merger, Joshua Tetley and Walker Cain.

One commentator has expressed regret that the board had not seen fit to give a combined annual profit figure for the present constituents of the group or a *pro-forma* balance sheet; especially, it was added, as an issue of some kind is foreshadowed in the chairman's statement.

**Consolidated Balance Sheet 30th April, 1960**

	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950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# WHITEFIARS INVESTMENT TRUST LIMITED AND SUBSIDIARY COMPANIES Notes on the Accounts 30th April, 1960

## 1. ISSUED SHARE CAPITAL

	Whitefiars Investment Trust Limited	Consolidated Accounts
	£	£
At 30th April, 1959	150,000	150,000
Bonus issue to Ordinary Shareholders	27,500	27,500
Issued on acquisition of New Subsidiaries	125,000	125,000
At 30th April, 1960	£302,500	£302,500

## 2. CAPITAL RESERVES

### (i) Share Premium Account

Excess of net assets of New Subsidiaries as revalued, over the nominal amount of shares issued in consideration for the purchase thereof

Less: Expenses of increasing Share Capital	567,901	567,901
At 30th April, 1960	3,779	3,779
	£564,122	£564,122

### (ii) General

At 30th April, 1959	91,830	102,658
Less: Bonus issue to Ordinary Shareholders	27,500	27,500

Adjustments to Income Tax recoverable on finance charge incurred on acquisition and sale of Subsidiary Company in previous year credited to Capital Reserve

Expenses incurred on cancellation of a contract for the sale of freehold property of a Subsidiary Company	9,723	9,723
Surplus arising on acquisition of Subsidiary Company in a previous year applied in reduction of Goodwill	7,667	7,667
	10,828	10,828
At 30th April, 1960	44,890	55,718
	£46,940	£46,940

## 3. REVENUE RESERVES

### General

At 30th April, 1959	£	£
Less: Credited to Revenue Account	3,500	3,500
At 30th April, 1960	—	—

## 4. CONTINGENT LIABILITIES

(i) There is a note in the Accounts of one Subsidiary Company to the effect that on 20th December, 1960, its authorised share capital was increased by the creation of 81,976 ordinary shares of £1 each and that in a letter dated 21st December, 1960, Whitefiars Investment Trust Limited made application to subscribe for these additional shares in cash at par.

(ii) A Subsidiary Company has entered into commitments for Capital Expenditure amounting to £850.

## 5. FIXED ASSETS - Consolidated Balance Sheet

	At cost or previous Valuation	Aggregate Depreciation	Increase on revaluation at date of acquisition of Subsidiaries
Freshhold Property	51,541	—	51,541
	64,538	14,598	49,940
	116,079	14,598	101,481
Plant, Machinery and Loose Tools	11,562	8,545	3,017
	130,335	90,683	39,652
	141,897	99,228	42,669
Motor Vehicles	11,327	5,175	6,152
Furniture, Fixtures, Fittings and Office Equipment	58,822	41,865	16,957
	£328,125	160,866	167,259
			322,482
			489,741

## 6. DEPRECIATION

The charge for depreciation in the Consolidated Revenue Account represents the provisions made in the accounts of the Subsidiaries on the cost or book value of their assets prior to revaluation on acquisition.

	Whitefiars Investment Trust Limited	Consolidated Accounts
	£	£

## 7. TAXATION

In respect of the Revenue of the Holding Company for the year ended 30th April, 1960, and the Profits of the Subsidiary Companies shown in their Accounts ended during that year.

Income Tax			
Suffered by deduction	..	..	65,955
On Trading Profits	..	..	—
			65,955
Less: Recoverable in respect of Management Expenses			6,492
Profits Tax			59,463
On trading Profits	..	..	—
			59,463
Less: Overprovision in respect of past years			—
Provision per Revenue Accounts	..	..	£59,463

## 8. PROPOSED FINAL DIVIDEND

To the extent to which it is being met out of profits earned by Subsidiary Companies prior to the date of their acquisition the proposed dividend is a distribution of profits of a non-revenue character.

## 9. DIVIDENDS FROM SUBSIDIARY COMPANIES

There is included in the Consolidated Revenue Account is respect of the post-acquisition period, dividends amounting to £25,200 gross declared by certain Subsidiary Companies out of profits earned by them between their Balance Sheet date and that of the Holding Company.

## CITY NOTES

THE Iron and Steel Holding and Realization Agency's £84 million offer of debenture stocks and preference shares in denationalized steel companies adds pertinent comment to the state of the fixed interest section of the stock-market. Even taking the Agency's own problems into account the redemption yields of over 6½ per cent on first-class debentures and the running return of over 7 per cent on equally first-class preferences is a timely reminder of the depths to which fixed interest investment has sunk.

In a week in which an investment trust expert has suggested that the Government should support War Loan in an endeavour to restore faith in Government credit, the Agency's offer puts a cog of realism in the investment machinery. Undoubtedly to the older investor who needs yield for income purposes, the Agency's offer is a means of escape, even from the depression of undated Government stocks.

To the longer-minded investor, however, capital protection is of far more concern than current yield. The attractions of even a 7 per cent return pale into insignificance against the possibility that a 7 per cent return is poor reward for the loss of maybe half the purchase power of capital in a period of ten to fifteen years.

This is the basic approach to investments now. It would not be far out to suggest that at least 75 per cent of small investment is aimed at protection of capital rather than income.

## RATES AND PRICES

Closing prices, Wednesday, February 22nd, 1961

Tax Reserve Certificates: interest rate (26.11.60) 3%

## Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

## Treasury Bills

Dec. 16	£4 7s	6.04d%	Jan. 20	£4 3s	8.22d%
Dec. 23	£4 7s	1.45d%	Jan. 27	£4 3s	3.70d%
Dec. 30	£4 6s	11.78d%	Feb. 3	£4 3s	4.46d%
Jan. 6	£4 6s	10.38d%	Feb. 10	£4 6s	0.56d%
Jan. 13	£4 6s	1.51d%	Feb. 17	£4 7s	7.63d%

## Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4½-4½%	2 months	4½-4½%
Fine Trade Bills		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

## Foreign Exchanges

New York	2.79½-7	Frankfurt	11.67½-8
Montreal	2.76½-8	Milan	1742-3
Amsterdam	10.60½-61½	Oslo	20.01½-02½
Brussels	139.89½-9	Paris	13.71½-1
Copenhagen	19.34½-5	Zürich	12.10½-1

## Gilt-edged (revised List)

Consols 4%	64½	Funding 3% 59-69	83½
Consols 2½%	43½	Savings 3% 60-70	79½
Conversion 5½% 1974	94½	Savings 3% 65-75	71½
Conversion 5% 1971	92½	Savings 2½% 64-67	84½
Conversion 3½% 1969	84½	Treas. 5½% 2008-12	91½
Conversion 3½%	58	Treasury 5% 86-89	87½
Exchequer 5½% 1966	99½	Treasury 3½% 77-80	72½
Funding 5½% 82-84	95½	Treasury 3½% 79-81	71½
Funding 4% 60-90	89½	Treasury 2½%	42½
Funding 3½% 99-04	62½	Victory 4%	96xd
Funding 3% 66-68	83½	War Loan 3½%	58½

## Reviews

## Money Under Review

by W. MANNING DACEY. (Hutchinson & Co (Publishers) Ltd, London. 25s net.)

This book is both a successor and complementary to the author's earlier work on the British banking mechanism. Its *raison d'être* is an extended commentary on the report of the Radcliffe Committee on the workings of the monetary system and a valuable feature of the book is the inclusion, as an appendix, of Mr Dacey's own written memorandum of evidence to that Committee, as well as the transcript of his oral evidence.

Mr Dacey's views on Bank rate or the value of monetary policy as an economic stabilizer are hardly those of the Radcliffe Committee, although on many points the differences of opinion are those of emphasis

rather than principle. Perhaps the key to Mr Dacey's thinking is best revealed by an early statement in his memorandum of evidence to the effect that 'it is political factors which determine the kind of monetary régime that will be considered acceptable, as well as the results to be expected from measures of policy'. And this, it can be said, is just the reason why the Government is still struggling with the post-war economic problem.

## Accounting for Oil and Gas Producers

by C. AUBREY SMITH, PH.D., C.P.A., and HORACE R. BROCK, PH.D., C.P.A. (Prentice Hall Inc, Englewood Cliffs, New Jersey. European Division: 28 Welbeck Street, London, W1. 72s.)

Not everyone will have occasion to read or even refer to a book with such a specialized title but those who do – and they include officers and employees of oil and gas companies, accountants and auditors, professors and students and, among others investors, geologists, geophysicists and mining engineers – will

find it not only a rich source of accounting information but also a fully informed analysis of the economic and operational problems confronting oil and gas producers. In preparing for their task, the authors consulted more than sixty oil companies and studied numerous accounting and procedural manuals and this research, together with their own experience of the industry from within, enabled them neatly to hold the balance between theory and practice.

The book appears to deal with every aspect of its subject beginning with the technical points to be considered in prospecting and drilling, an account of the methods employed and the organization which has to be set up, operational as well as administrative. All the accounting problems – among them the treatment of preliminary expenditure and capital outlay, amortization, the recording of revenue, costing, budgeting and forecasting – are fully reviewed in turn. There are also chapters on the nature and contents of financial statements and interim reports, on the special difficulties inherent in producing natural gas and on the valuation (for buying and selling purposes) of oil and gas properties.

A student on being required to write an essay on Chinese metaphysics, read up 'China' and then 'Metaphysics' in an encyclopedia and then attempted to blend his new found information. It is no reflection on Professors Smith and Brock to say that their book recalls this familiar story because, in contrast to the unhappy student, they have interwoven two very different themes so successfully that the result might well be read both as a general dissertation on the production of oil and gas and as a first-rate treatise on accounting. The many people, accountants among them, connected with the industry who have occasion to seek advice on these matters are fortunate to have such a comprehensive work of reference at their command.

### **Taxation Key to Income Tax and Surtax**

*Fiftieth (Finance Act, 1960) Edition*, edited by Percy F. Hughes. (Taxation Publishing Co Ltd, London. 11s net; 11s 6d including postage.)

This Finance Act, 1960, edition of the well-known 'key' fully maintains the standard of previous editions and provides a most useful means of keeping up to date with what is perhaps the most chameleon-like of taxes. The changes in personal allowances are duly dealt with, not to mention the change in relation to free-of-tax annuities provided before 1939 – a somewhat esoteric matter which emphasizes the comprehensiveness of the work. The section on back duty has been amended in view of the extensive changes introduced by Part III of the Act, but the account of the changes is necessarily in outline only. As the book says, in matters of this sort the taxpayer should take the best advice possible.

The statement that the time limit for recovery of penalties remains six years unless there is fraud or wilful default would seem to need some qualification

in view of Section 54 of the new Act. However, it is difficult to be dogmatic about the precise effect of the new provisions until they have been tested in the Courts. The ingenious arrangement of the text and indices, including 'cut out' thumb indices, is a unique feature of this work which enables the reader to turn up a point in a remarkably short space of time.

### **Taxation Key to Profits Tax**

*Sixth edition*, edited by Percy F. Hughes. (Taxation Publishing Co Ltd, London. 12s 6d net; 13s 4d post free.)

This handy-sized book gives far more than its title promises, for it reproduces the whole of the profits tax legislation, together with regulations made by the Inland Revenue, as existing after the passing of the Finance Act, 1960. No one who has had to deal with this tax can fail to appreciate the utility of such a compilation, particularly one of manageable size. The book has 335 pages, of which nearly 200 are taken up by legislation and a very useful index thereto; the other 135 pages constitute the key proper. The first page is devoted to a table headed 'Profits tax at a glance' which clearly sets out the various rates in force at different times in the period from 1937 when the tax was first imposed. There follows a very clear, if brief, exposition of the law and practice. This includes the law and practice in relation to past periods. For instance, the complicated provisions in relation to distributions, which applied for the period from 1947 to 1958, are fully dealt with and illustrated by examples. On the other hand the up-to-dateness of the book is emphasized by the citation in more than one place of *Commissioners of Inland Revenue v. J. B. Hodge & Co (Glasgow) Ltd* (39 A.T.C. 171) which was decided only a very short time before the book was published.

### **Doing Business in Germany**

by Dr R. MUELLER and Dr E. STEEFEL in association with Dr H. DEBATIN. (Fritz Knapp Verlag, Frankfurt.) (Interbook Ltd, 12 Fitzroy Street, London, W1. 26s net.)

Since the war international frontiers in the west have been progressively lowered, while the German Federal Republic has reached a premier position in international trade with extensive possibilities as an overseas customer for British products. Naturally, it is advantageous for anyone who wishes to trade with citizens of the Republic to know something of German law and taxes and to obtain this information could be expensive. The authors of this book are therefore to be congratulated on their enterprise. No doubt, without the vast American market for it, the book might not have appeared; now that it is here, however, British readers can seize upon it.

Dr Mueller is a lawyer in Frankfurt-am-Main; Dr Steefel is a member of the New York Bar and of the German Bar; Dr Debatin is in the Ministry of

Finance in Bonn. In some 150 pages the book gives an easily read and up-to-date account, in general outline, of German law as it affects traders and taxpayers. There is a most useful bilingual index but the text is in English, and very good English too, if one does not mind American spelling. Even if one has no intention of having any dealings in Germany, the book is fascinating to anyone interested in modern economic conditions and legal restraints.

### RECENT PUBLICATIONS

**INDUSTRIAL DEVELOPMENT**, A Guide for Accelerating Economic Growth, by Murray D. Bryce. xvi+282 pp. 9½×6½. 58s net. McGraw-Hill Publishing Co Ltd, London.

**BUTTERWORTH'S INCOME TAX DIGEST**. lxiii+453+73 (Index) pp. 10×7½. 70s net, postage 2s extra. Butterworth & Co (Publishers) Ltd, London.

**BUILDING ROUNDABOUT**, by Arthur W. Kenyon, C.B.E., F.R.I.B.A., DIST.P., M.T.P.I., ix+133 pp. 9×6. 10s 6d net. The Builder Ltd, 4 Catherine Street, Aldwych, London, WC2.

**THE FIRST FIFTY YEARS 1910-1960**, An Appreciation by F. A. A. Menzler, C.B.E. x+166 pp. 9×6. 25s net. The Institute of Actuaries Students' Society, London.

**POWER WITHOUT PROPERTY**, A new development in American political Economy, by Adolf A. Berle, Jr. viii+184 pp. 8×5½. 15s net. Sidgwick & Jackson Ltd, London.

**FIRST SUPPLEMENT TO DYMOND'S DEATH DUTIES**, THIRTEENTH EDITION by Reginald K. Johns, LL.B. xi+61 pp. 9½×6. 9s 6d net (thirteenth edition and supplement £7 7s). The Solicitors' Law Stationery Society Ltd, London.

**THE 1960 INCOME TAX LEGISLATION IN THE FEDERATION OF RHODESIA AND NYASALAND**, by A. S. Silke, M.COM., PH.D.(Cape Town), C.A.(S.A.) 44 pp. 10×6. Card Covers. Juta & Co Ltd, P.O. Box 30, Cape Town.

**ECONOMICS OF BROILER PRODUCTION**, Farm Economics Branch Report No. 53, by B. J. F. James. 36 pp. 10×7½. Card covers. 3s 6d net, post free. Issued by the Farm Economics Branch, School of Agriculture, Cambridge University.

**TAX CASES** Reported under the Direction of the Board of Inland Revenue. Volume 38, Part 6. pp. 387-458. 9½×6. Paper covers. 3s 6d net. H.M.S.O., London.

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

### A Flaw in the Jewel?

SIR, — Mr Gambling, in his article 'A Flaw in the Jewel?' (February 11th issue), is surely confusing the means of producing accounting information with the end product.

The double-entry system is an expression of two of the most primitive of human business concepts, namely, value and possession. As soon as possessions were measurable in terms of other possessions they had value. Since the earliest times single entry recorded the value aspect of transactions while the possessive aspect was understood but only implied. Double entry in its final form, namely, a balance sheet, shows the value of a possession and the person owning it, whether they be shareholders or creditors. The fact that values expressed in such a balance sheet may be inconsistent or unrealistic is no argument against the value or necessity of a balance sheet as such.

To complain that double entry needs revision because its use is not always consistent nor values realistic is as relevant as demanding that government be abolished because it is inefficient or makes mistakes. Reform of the bases of values in the one case or of legislature or executive in the other is the prime requirement.

Everyone, and no less the Institute, is aware of the dangers of 'historic cost' accounting and appropriate

recommendations have been made. However, to confuse such problems with the basic concepts of double entry betrays an alarming wooliness of thought.

Yours faithfully,

G. N. PICKERING, M.A., A.C.A.

London, W14.

SIR, — I have read Mr T. E. Gambling's article with interest and enjoyment, but I think he is confusing the vehicle with the load. The mechanical perfection of the double-entry system as a means of recording transactions is timeless. If there are flaws in the structure, these arise from misuse, or lack of use, of the facilities provided. Double entry, as such, is simply a means of keeping records, it is not wedded to historical cost or any accounting method.

Every balance sheet has some significance, a significance which will depend solely on the accounting principles adhered to by those responsible for its preparation. Double entry can accommodate them all, being merely a device for analysis and the arithmetical proof thereof.

Yours faithfully,

Purley, Surrey. HAROLD B. FLOYD, F.C.A.

### Specialism in the Profession

SIR, — By your kind permission I was able to take part in this discussion and my only reason for so doing was because there seemed to be a strong suggestion that The Institute of Cost and Works Accountants was unreasonable in demanding three years' practical experience of costing as one of the conditions upon which the fellowship in management accounting could be granted. It is to be judged from subsequent letters appearing in the columns of your journal that it is now agreed that such a requirement is not unreasonable.

In response to Mr J. W. Mitchell's letter (January 28th issue), I think it is only necessary to say that the syllabus for the fellowship qualification covers a very wide range of subjects and, in particular, it requires evidence of the applicant's ability in the 'application of costing methods and techniques including budgetary control, standard costing and marginal costing to manufacturing, wholesale, retail, distribution, business and public undertakings and local authorities'. The examination covers, *inter alia*, the scope of the distribution function, the organization and control of distribution, a paper on statistical method, a paper on company law and a paper on management accountancy which includes budgetary control, forecasting, reports for boards, chief executives, bankers, etc. Nowhere do we find any requirement that the three years' practical experience of cost accountancy can only be demonstrated by having worked in a factory.

Yours faithfully,

STEPHEN F. RUSSELL, F.C.W.A.

London, N14.

### The Small Practitioner and Registration

SIR, — With reference to Mr Thomas Bourne's letter published in *The Accountant* of February 11th, we wish to give our support to his proposal that the Council of the Institute hold a referendum to ascertain the views of members on the subject of registration of the profession.

In our opinion, the standard of the profession generally, due to the activities of people who are not properly qualified but who hold themselves out as accountants, will not be raised to the level desired by the members of the major bodies until complete registration is achieved. As the Institute is the major accounting body we feel that the Council should take the lead in this matter. Ultimately registration should benefit all registered accountants and their clients by ensuring these higher standards.

To achieve complete registration will take some time, and we therefore feel that this matter should not be the subject of any further delay and that a referendum should be held as soon as the Council of the Institute can make the necessary arrangements.

Yours faithfully,

IIION V. CUMMINGS & CO.

Romford, Essex.

### Humour in Practice

SIR, — We thought you might like to publish the remarks of a client of the firm in a letter he wrote us sending his income tax notice of assessment — it is rather a plum.

'My income tax assessment form is enclosed herewith and part has been paid. Unfortunately I am not a farmer as stated on the notice but a small boot repairer trying to save their souls.'

Yours faithfully,

Rhyl.

HAROLD SMITH & SON.

## Taxation Case

*A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.*

### Verdin (Tollemache Settled Estates) v. Coughtrie

In the House of Lords — February 13th, 1961  
(Before the LORD CHANCELLOR (Viscount KILMUIR)  
LORD DENNING, LORD MORRIS OF BORTH-Y-GEST and  
LORD HODSON)

*Income tax — Excess rents — Sand-pit — Rent and royalty — How assessment to be computed — Finance Act, 1940, Section 15 — Income Tax Act, 1952, Schedule A, paragraph 2 (Section 82), Sections 86, 88, 175.*

The appellants let a sand-pit to a partnership for twenty-one years at a rent of £10 a year and a royalty of 6d a ton of sand worked. There was provision for the tenants to work additional land, and they did occupy and work another five acres. For 1953-54 the

sand-pit was separately assessed under Schedule A in the sum of £3 5s, and there was an additional assessment for the other five acres, and the two assessments came to £7. The royalties came to an average of about £390 a year.

For 1953-54, an assessment under Case VI of Schedule D was made on the appellants in the sum of £5 in respect of excess rents and £1,000 in respect of royalties.

It was contended on behalf of the appellants that Section 175 of the Income Tax Act, 1952, applied only to the fixed rent; and alternatively, that if the section applied also to the royalties, the amount of the royalties should be spread over the years of the lease, and Section 175 applied on that basis. It was contended on behalf of the respondent that the assessment should be made on the actual royalties received in the year of assessment; and that after reducing the amount of the actual royalties to the notional net Schedule A, Section 175 should be applied on that basis. The General Commissioners accepted both contentions.

*Held* (affirming the decision of the Court of Appeal): the decision of the General Commissioners was correct.

# INTEGRATED DATA PROCESSING

## One-day Conference in London

There was a large attendance numbering about 400 at a one-day conference on 'Integrated data processing in Britain and America', held at the Connaught Rooms, London, WC2, on Thursday of last week.

Organized by the British Productivity Council, in co-operation with the British Conference on Automation and Computation, the British Institute of Management and The Institute of Cost and Works Accountants, the conference was under the chairmanship of Sir James R. H. Hutchison, Bt., D.S.O., T.D., J.P., President of The Association of British Chambers of Commerce.

Mr Brian A. Maynard, M.A., F.C.A., who led the recent O.E.E.C. Mission to the United States, opened the proceedings by pointing out that the first English edition of its report<sup>1</sup> had sold out within a month of publication and that the present conference had been so heavily over-subscribed that another had been arranged for May 24th. 'This', said Mr Maynard, 'demonstrates that, so far as Britain is concerned, there is no question of management's being dragged screaming into the electronic age. It is already there.'

'For enlightened top management interest and support at every stage is vital in so important a development as electronic data processing. First, because the integration of procedures must involve organizational changes which could not be achieved without management approval and backing; secondly, because electronic data processing is an area where more than the irreducible minimum of inefficiency is too costly to be tolerated.'

### Stimulus to Management

Mr Maynard went on to say that a computer, properly used, could undoubtedly provide a great stimulus to management. But it was a fallacy to imagine that a computer automatically brought efficiency with it. There was no reason to expect that an organization which normally operated inefficiently would exploit E.D.P. effectively unless a special effort was made by management. A degree of inefficiency which might not be fatal in other directions could here make all the difference between the creation of a major new asset and a distressing waste of time and money.

Failure to make this effort and the disillusionment which inevitably resulted had probably been responsible for the mood of disenchantment which had followed the initial stage of excessive confidence in the United States. Although a recent American survey had admitted 'many false starts and mistakes', too much could be made of these early disappointments which had been so widely reported. In fact, disillusionment had already given place to a more sober and realistic optimism. In progressive organizations, this optimism was tempered by a degree of humility. It would, for example, be hard to imagine a more valuable cross-section of views and experience than was represented by today's speakers. But while it was clear that each of their enterprising organizations had learned a great deal over the past five years, it was equally evident that

they were determined to learn at least as much more during the next five years – by which time, they would have an impressive lead over those who had not made corresponding efforts.

A revealing indication of the value placed on such a lead by some American organizations was obtained during a visit by the mission to one of the larger corporations, said Mr Maynard. This organization evidently considered that they had achieved such an important competitive advantage in applying computers for planning and control purposes that they were reluctant to share their experience. For, despite the famous American tradition of frankness, they were less than open about what they had learned and its effect on their future plans for using computers.

### Importance of Overall Assessment

Returning again to management responsibility, Mr Maynard pointed out that management's first, and possibly most important, responsibility was to insist on an adequate overall assessment of the possibilities at the outset. Implementation of the individual areas of the overall plan could then be undertaken in the most appropriate order with confidence that the initial selection of the expensive hardware had been sound and that all the individual procedures would eventually dovetail smoothly into a properly integrated information and data processing service. This was a strong recommendation of the mission in the light of United States experience.

Finally, Mr Maynard had some pertinent comments to make about the pay-off period. 'It has recently been suggested in the Press that most computers installed in this country have paid off within three years', he said. 'Frankly, I just do not believe this.' In fact, a quick pay-off was only to be looked for in applications such as insurance or banking where very large volumes of data were handled. Several of the more advanced schemes in the United States were not expected to pay off for periods of the order of five to seven years – despite the greater ease with which the computer could be justified on account of the higher American salary scales.

'That such long pay-off periods are being accepted by highly progressive and successful organizations is a significant demonstration both of their determination to provide the best information service to management and of their willingness to invest time and money in the research and development which are necessary to achieve this end,' he concluded.

### Definition of Integration

Mr J. A. Goldsmith, M.A., A.C.A., A.C.W.A., a member of the mission and editor of its report, then addressed the conference. He defined integration as the development of the most streamlined and automatic flow of data that is practicable within an organization. Company-wide integration entailed consideration of the flow of data throughout the concern and not just one department. At the same time, however, integration could only be applied to the extent that it paid, either

<sup>1</sup> See *The Accountant* of December 3rd, 1960, page 702, and December 10th, 1960, page 721.

through the saving of clerical effort, or to provide better or more timely information.

Opportunities for smaller firms to achieve greater integration of their procedures were now available, said Mr Goldsmith, but, first, overall study was necessary to enable long-term plans to be set, as regards both the changes to be made in organization and method and the choice of suitable equipment.

'The most promising areas can then be studied in detail and in turn, taking account of other data processing areas which must be integrated with it in due course. This avoids the piecemeal approach which is otherwise likely to go on in different departments possibly committing the concern to methods and equipment quite unsuitable for further expansion.'

Mr Goldsmith went on to refer to the American scene and the greater use there of computers for business work. Because of this activity, the O.E.E.C. Mission had expected to see more attempts to achieve company-wide integration than they actually found. However, some of the larger concerns had now achieved some tangible advantages although it was probable that none of them would complete their full, original plans for two or three more years. There seemed to be some general reasons why the idea of company-wide integration had not been more widely adopted and these, he said, were as follows:

(1) In spite of the present rate of growth, the use of computers for business data processing started no earlier than in this country, i.e. about five or six years ago. Many of the present users therefore started when the ideas of integration were still only theoretical and were reluctant to undertake – as they thought – too ambitious plans. This attitude seems likely to change as the practical advantages of integration that are achieved by the larger concerns become known.

(2) There is reluctance on the part of management to spend money on research into improvements in data processing. While this data processing research is not of such immediate importance as technical research to improve the products being sold, improvements in data processing could in the long term have fundamental effects on the whole operation of the business.

(3) Again, because so many of the current users started as pioneers in the use of computers they tended to underestimate the difficulties of planning and programming. The installation team therefore promised earlier results than were reasonable. Once committed to this plan, and being naturally pressed by management, they put aside any long-term planning and instead produced results of isolated applications.

#### Limited Schemes of Integration

Besides the work on company-wide integration, Mr Goldsmith stated that many firms were attempting more limited schemes of integration covering such fields as:

(a) The sales area, including orders, dispatch of goods, invoicing, the collection of cash and reporting on sales.

(b) Purchasing, including the requisition of the order, the placing of the order, receipt of goods, receipt of invoice, and payment of cash.

(c) Production control, including setting up the production plan, material requirements, machine and manpower requirements.

It is now recognized, said Mr Goldsmith, that savings in costs of clerical labour are seldom likely to be sufficient on their own to justify the use of computers. He went on:

'There are a few high volume applications including Government work, insurance or banking – for example the

handling of cheques in the U.S. Treasury – where it has been possible to justify computer methods by clerical savings and without widespread integration. Most of these are specialized applications and otherwise in industry or commerce the lesson seems to be that computers can only be justified if coupled with integration. Applications such as payroll or invoicing are not likely to be of sufficient volume on their own and without integration to justify the high cost of equipment and the high cost of changeover. Such applications as payroll or invoicing in themselves are also likely to be quite complex, and if there is to be no integration they are usually better suited for simpler equipment with a measure of human intervention. This point of view was confirmed several times in the United States and the same is now being said over here.'

Another warning given on several occasions to the mission during their tour of the United States was that promised staff savings often did not materialize. Reasons for this were that alternative work was usually found for long-service employees, so that their salaries were not saved, while only part of the time of others might be saved. However, against this, many of the companies using computers had grown since the computer routines were installed and had found that they were able to accommodate substantial increases in the volume of transactions without need to increase the staff equivalently. This would seem important where new staff were difficult to find.

#### An American Approach

In a paper entitled 'An American approach and accomplishments to date', Mr W. F. Brackman, of Gillette Industries Ltd, spoke of his experiences in introducing a computer system while controller of the Gillette Safety Razor Co, of Boston, Massachusetts.

During the period in question (1955 to 1958), the American Gillette company sold products to about six to eight thousand wholesalers throughout the United States and shipped to about eight to ten thousand different shipping points, because in some cases the customer had more than one location to receive goods. Each day the company received between 600 and 1,000 orders from customers during normal times and twice this number during peak periods. Even though razors, razor blades and shaving cream were the sole products, they were sold in so many different styles of packing and quantities of packing that the product list totalled approximately 300 items in all. One of the biggest problems was to handle this large and varying volume of sales paper work, and also assist an overloaded and overworked shipping department to handle the problem of shipping just about all the goods that were sold in the United States from a single warehouse in Boston. Although the razor blade and razor business might be thought steady and uniform rather than subject to seasonal variations, the company had deliberately set about making the business somewhat seasonal by reason of advertising and selling heavily at certain times of the year. The company was growing and expanding and it was necessary to find some way to take the strain and pressure off the sales accounting paper work and assist the shipping department to be able to do the very best possible job without making any errors or failing to make any dead-lines.

The company had developed a strong and efficient organization and methods department and had also developed an equally strong and competent department using conventional accounting equipment. It was decided, however, to order a computer and use these



two departments to handle the planning, programming and installation of the computer equipment since they were ideally skilled and trained in this type of problem. Describing the application, Mr Brackman said:

'We first taught the computer to recognize the difference between one customer's order and another simply because 90 per cent of our orders were handled in one way and 10 per cent in an entirely different way. The computer never failed to recognize the exception and handle it exactly as it should. We also found that since the computer could accomplish so many different tasks almost simultaneously that we had it creating account receivable records in the form of punched cards immediately it finished printing an invoice. At the same time we had it reducing inventory or stock balances by the amount of goods on the invoice. We also had it recognizing customers in terms of credit standing and passing those which were obviously first-class and laying aside those which required additional checking by a human. In addition, we also did quite a bit of work for our

shipping department in that we calculated the weight of each one of the items which would appear on the invoice.

The experience and research with the company's first computer, said Mr Brackman, had led to thoughts on the integrated processing problem which previously would have been only a faint hope or dream. A system with a far greater capacity is to be installed later this month and within three to four years is expected to be doing all the accounting and operating information handling at the company's Boston headquarters.

#### Other Speakers

Other papers were presented at the conference on 'I.D.P. in wholesaling and retailing' by Mr D. S. Greensmith, of Boots Pure Drug Co Ltd, and 'I.D.P. in engineering production' by Mr K. F. Turner, of Rolls-Royce Ltd.

## In Parliament

### Decimal Currency System

Mr DU CANN asked the Chancellor of the Exchequer whether he now proposes to introduce a decimal currency system.

Mr BARBER: This is a very important question which requires and is receiving the fullest consideration by the Government. I cannot make any statement on the subject at present but hope to do so later on in the year.

*Hansard*, Feb. 16th, 1961. Written Answers. Col. 178.

### Surtax

Mr NABARRO asked the Chancellor of the Exchequer what would be the cost to the Revenue in a full year of non-aggregation of the income of spouses for surtax purposes; and what study he is making of the effect upon the economy that would result from the separate assessment of surtax of spouses.

Sir E. BOYLE: I regret that it is not possible to estimate the cost for which my hon. friend asks. The answer to the second part of the question is that my right hon. and learned friend is considering various representations that the suggested step would encourage more married women to take up paid work.

*Hansard*, Feb. 7th, 1961. Written Answers. Col. 24.

### Graduated Pension Scheme

Mr OWEN asked the Minister of Pensions and National Insurance how many applications have been received from employers to contract out of the graduated pensions scheme, at the nearest convenient date; and how many certificates have been issued by the Registrar.

Mr BOYD-CARPENTER: Up to February 17th, 15,759 such applications have been received from employers. Twelve thousand five hundred certificates have been issued by the Registrar, covering 2,910,000 employees.

*Hansard*, Feb. 20th, 1961. Written Answers. Col. 1.

### Taxation: Capital Allowances

Mr NABARRO asked the Chancellor of the Exchequer what is the estimated cost in the current year, 1960-61, of capital allowances as an aggregation of initial and investment allowances for taxation purposes.

Sir E. BOYLE: About £185 million.

*Hansard*, Feb. 20th, 1961. Written Answers. Col. 17.

### Export Council of Europe

Mr NABARRO asked the President of the Board of Trade whether he will make a statement concerning Treasury financial support for the recently formed Export Council for Europe; and to what extent the Economic Secretary to the Treasury is responsible for liaison between this body and other export promotion bodies of the Federation of British Industries, the National Union of Manufacturers, the Association of British Chambers of Commerce, the Institute of Directors, and others.

Mr ERROL: Grants in aid of the expenses of the Export Council for Europe, which will be conditional on an equivalent contribution from industry and commerce to the Council, are met from the Board of Trade Vote. The amount of the grant in aid of the Council's expenses in the current financial year will be £5,000. Proposals will shortly be laid before the House seeking approval for a grant of £20,000 in 1961-62. The Council is itself responsible for liaison with other bodies concerned with the promotion of exports.

*Hansard*, Feb. 20th, 1961. Written Answers. Col. 18.

## JOHN FOORD & COMPANY

56 VICTORIA STREET, LONDON, SW1

Telephone: Victoria 2002 (3 lines)

### REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

# Notes and Notices

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES Taxation and Research Committee

The one hundred and thirteenth meeting of the Taxation and Research Committee was held at the Institute on Thursday, February 16th. There were present:

Mr G. N. Hunter (in the chair); Messrs F. W. Allaway, G. R. Appleyard, R. D. R. Bateman, M.B.E., C. V. Best, W. R. Carter, J. Cartner, L. H. Clark, S. M. Duncan, W. F. Edwards, C. R. P. Goodwin, N. B. Hart, O.B.E., J. S. F. Hill, R. O. A. Keel, H. Kirton, S. Kitchen, J. W. Margetts, S. A. Middleton, G. P. Morgan-Jones, R. D. Pearce, J. Perfect, A. H. Proud, J. D. Reekie, D. W. Robertson, C. Romer-Lee, H. G. Sergeant, H. C. Shaw, H. Eden Smith, D. E. T. Tanfield, J. G. Vaughan, J. W. Walkden, F. J. Weeks, and G. H. Yarnell, and Mr A. R. English, with the Assistant Secretary.

### *Secretary to the Taxation and Research Committee*

The Committee unanimously agreed that a message should be conveyed to the Secretary, Mr Noyes, expressing the regret of the members of the Committee at his inability to attend the meeting and their best wishes for his speedy recovery.

### *Standing Sub-Committees*

Reports were received from the following Standing Sub-Committees:

General Advisory  
Management Accounting  
Taxation  
Planning.

### *Ad hoc Sub-Committees*

Reports were received from three special sub-committees.

### *Future Meetings*

The next meeting of the Committee was arranged for Thursday, April 27th, 1961, at 2 p.m., and the following dates for future meetings have been fixed:

Thursday, June 15th, 1961.

„ September 21st, 1961.

„ October 26th, 1961.

„ December 14th, 1961.

## PROFESSIONAL NOTICES

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND announce that the address of their Manchester office is now Barnett House, 53 Fountain Street, Manchester, 2. Telephone: Central 9841.

MESSRS CUNNINGHAM, PRIESTLEY & Co, Chartered Accountants, announce that as from February 20th, they have removed their offices from Moorhead Buildings, Cambridge Street, Sheffield, 1, to Shrewsbury House, 33 Wilkinson Street, Sheffield, 10. Telephone: Sheffield 28732-3.

MESSRS J. & A. W. SULLY & Co, Chartered Accountants, of 55B Oxford Street, Weston-super-Mare, and of London and Bristol, announce that as from January 1st, 1961, they have taken into partnership Mr ERIC KENNETH KEEN, A.C.A., who has been with the firm for over eighteen years.

MESSRS TURQUAND, YOUNGS & Co (Iberian firm) announce that as from January 1st, 1961, Mr LEYCESTER AMORY SULLIVAN, F.A.C.C.A., has been named senior partner of the firm, resident in Madrid.

## Appointments

Mr S. F. Cox, F.C.A., formerly assistant accountant, British Railways, Western Region, has been appointed chief accountant, British Railways, Eastern Region.

Mr L. G. T. Farmer, F.C.A., and Mr N. G. Lancaster, M.B.E., F.C.A., were elected to the Council of the University of Birmingham at the annual meeting of the Court of Governors held on February 16th.

Mr Dane Greenwood Kershaw, F.C.A., has been appointed to the board of Harrods (West End and Provincial) Ltd.

Mr R. B. Pringle, C.A., has been appointed assistant chief financial officer (chief internal auditor) of the Central Electricity Generating Board to succeed Mr J. R. Tait, C.A., who will shortly be retiring.

Mr Wilfred Bailey, F.S.A.A., has been appointed deputy-chairman of the Southern Gas Board as from August 1st next.

## OBITUARY

### Alexander Dalrymple Walker, J.P., F.C.A.

We announce with deep regret the death, last Sunday, of Mr Alexander Dalrymple Walker, J.P., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales and senior partner in the firm of W. H. Walker & Co, Chartered Accountants, of Liverpool, London and Douglas, Isle of Man. He was 63.



Articled to his father, William Henderson Walker, F.C.A., the founder of the firm, Mr A. D. Walker was admitted an associate of the Institute in 1922 and elected to fellowship in 1927. He was elected a member of the Council of the Institute on April 7th, 1948, and over the years had served on most of its committees. At the time of his death he was chairman of the District Societies Committee, vice-chairman of the Disciplinary Committee and a member of the General Purposes, Examination, and Library Committees.

Mr Walker was a member of Committee and a Past

President of the Liverpool Society of Chartered Accountants and was one of those principally concerned in the formation of the Isle of Man Branch of the Society in 1958.

He was also a partner in the firms of E. C. Price, Son & Reid, Chartered Accountants, and Slade, Lewis & Slade, Chartered Accountants, both of London and Stanmore, Middlesex.

### THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

#### List of Members

The recently published *List of Members* of The Institute of Chartered Accountants in Ireland shows that membership at August 31st, 1960, numbered 1,656, an increase of eighty-seven since the last published figure in December 1959.

An analysis of the membership is given below:

	Members in Ireland	Members not in Ireland
Fellows in practice .. ..	262	14
Fellows not in practice .. ..	14	11
Associates in practice .. ..	186	15
Associates not in practice .. ..	867	287
Total membership .. ..	1,656	

The new book contains the usual alphabetical and topographical lists of members, together with names of members of the Council of the Institute for 1960-61.

### CERTIFIED ACCOUNTANTS' LUNCHEON MEETING

The next luncheon meeting of The Association of Certified and Corporate Accountants will be held on Tuesday, March 7th, in the Connaught Rooms, Great Queen Street, London, WC2, at 12.30 for 1 p.m.

The guest speaker on this occasion will be Sir Edward Norman, Chief Inspector of Taxes, who will talk about the Inland Revenue and the accountancy profession. Further details may be obtained from the Secretary of the Association at 22 Bedford Square, London, WC1.

### LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS Taxation Conference

A residential taxation conference organized by the London and District Society of Chartered Accountants is to be held at *The Grand Hotel*, Eastbourne, from the afternoon of Thursday, March 16th, until midday Saturday, March 18th.

The conference, which is already oversubscribed, is to be opened by Mr P. F. Granger, F.C.A., Vice-President of The Institute of Chartered Accountants in England and Wales, and will include papers on 'Everyday problems of Schedule A', by Mr D. L. Forbes, J.P., F.C.A.; 'Estate duty problems with special reference to private companies', by Mr D. O. Bailey, F.C.A.; and 'Back duty procedure and practice', by Mr S. M. Young, Barrister-at-law.

### SOUTH EASTERN SOCIETY OF CHARTERED ACCOUNTANTS

A total of 108 members and guests attended a dinner of the South Eastern Society of Chartered Accountants held at *The Royal Beach Hotel*, Southsea, on February 17th. The President of the Society, Mr G. W. Davies, F.C.A., presided, and among the guests were Mr F. Harfield, Portsmouth and District Chartered Accountants' Students' Society; Mr J. R. Hazlegrave, Town Clerk, Portsmouth; Mr H. A. Jehan, Institute of Bankers; Mr H. J. Mills, Headmaster, Southern Grammar School; Mr J. Peters, Hampshire Law Society, and Mr J. Williams, Tax Officers' Association.

Responding to the toast of 'The Institute of Chartered Accountants in England and Wales', Mr C. Croxton-Smith, M.A., LL.B., J.P., F.C.A., a member of the Council of the Institute, stressed that care should be taken in training young recruits in the profession. Members of the Institute, he added, should ensure that suitable university graduates and late school-leavers were not attracted to industry in overwhelming numbers. Mr Geoffrey Stevens, M.P., F.C.A., who proposed the toast, said a big problem of modern times concerned young people who, having said they were thinking of standing for election as a Member of Parliament, were told by their employers they would be 'off the payroll'. 'I think', Mr Stevens added, 'it is very serious, and if that sort of trend continues, it means we are likely to get only careerists in Parliament and not people with business and worth-while experience'. The toast of 'The Guests' was proposed by Mr Davies, and Mr F. C. Rea, Clerk to the General Commissioners of Income Tax, responded.

### WOMEN CHARTERED ACCOUNTANTS' DINING SOCIETY Meeting in Manchester

The Women Chartered Accountants' Dining Society held a sherry party and buffet supper at *The Queen's Hotel*, Manchester, last Saturday, for women members of The Institute of Chartered Accountants in England and Wales in the area covered by the Liverpool and Manchester District Societies and branches. Twelve women articled clerks from the area also were present. Miss Margaret Fox, F.C.A., Chairman of the Dining Society, welcomed the guests and said that this was the second meeting of its kind to be held outside London; it was hoped that in time similar meetings would be arranged in other parts of the country. Women chartered accountants in the Birmingham area where the first meeting had taken place were now meeting informally at regular intervals.

During the course of the party, the local members present agreed to try and arrange further meetings of women members and students in this and other adjacent areas of North Wales and North Lancs.

### THE INSTITUTE OF INTERNAL AUDITORS London Chapter

The next meeting will be held on Wednesday, March 1st, at 12.30 p.m., at *The Kingsley Hotel*, Bloomsbury Way, WC1, when Mr H. I. Matthey, managing director, Morgan Crucible Co Ltd, will address the Chapter on 'Developing management perspective'. Inquiries about membership of the London Chapter should be addressed to the secretary, Mr H. G. Cox, The Monotype Corporation Ltd, Salfords, Redhill, Surrey.

**BUSINESS EFFICIENCY LECTURES**

'Organizing for business efficiency' is the theme of a series of evening lectures which has been arranged by the Junior Chamber of Commerce for London, to be held at the Royal Festival Hall Recital Room, London, SE1, from March 1st to 29th.

Subjects include: 'Organizing for change', by Mr J. E. Wall, O.B.E., managing director, Electric & Musical Industries Ltd; 'Organizing for administrative efficiency', by Mr D. F. C. Mann, office administration department, Imperial Chemical Industries Ltd, and 'Organizing for management development', by Messrs N. P. Bailey, director, Dexion Ltd, and W. Watts, administrative officer, Dexion Ltd. The lectures, which will commence at 6.15 p.m. for 6.30 p.m., will be followed by discussion. The series will conclude with a 'review and open forum' led by Sir Noel Hall, principal, Administrative Staff College, Henley-on-Thames, under the chairmanship of Lord Ebbisham, T.D., President, London Chamber of Commerce.

Further details are obtainable from Mr A. H. Bowley, c/o The National Cash Register Co Ltd, 88 Baker Street, London, W1.

**STANDARD COSTS**

'Management control through standard costs' is the title of a two-day course to be held at *The Piccadilly Hotel*, London, W1, on March 7th and 8th.

The purpose of the course is to show how standard product costs are established and how they are used to assist managers. The speakers will be Mr Harold W. Inglis, F.C.A., F.C.W.A., and Dr James M. S. Risk, B.COM., PH.D., F.C.I.S., F.B.I.M.

Further details may be obtained from Management Courses Ltd, 18 Hanover Street, London W1.

**ONE-DAY CONFERENCE  
ON INVESTMENT**

A one-day conference on investment, organized under the auspices of the *Investors Chronicle*, is to be held at the Royal Festival Hall, London, on March 22nd. The conference, which is described as a 'refresher' course, particularly in the light of the new Trustee Act shortly to come into operation, is designed primarily for investment advisers and will be under the chairmanship of Mr Dundas Hamilton, a partner in a London firm of stockbrokers. The opening address will be given by Lord Robbins, C.B., B.SC.(ECON.), M.A., D.LITT., L.H.D., LL.D., F.B.A.

Speakers and subjects will include 'The law affecting investment', by Mr Guy Naylor, Barrister-at-law; 'Investment Trusts', by Sir Edwin Herbert, K.B.E., LL.B., LL.D., chairman, Association of Investment Trusts; 'The Stock Exchange in 1961', by Mr E. L. Richards, M.B.E., M.C., T.D., a member of the Council of the Stock Exchange, and 'Unit trusts', by Mr Edward du Cann, M.P., managing director of Unicorn Securities. The organizing secretary is Mr Philip Syrett, Angel Court Consultants Ltd, 4 Angel Court, EC2, to whom all applications for tickets should be addressed.

**SEVENTY-FIVE YEARS AGO**

FROM *The Accountant* OF FEBRUARY 27th, 1886

*A Weekly Note*

IN conversation recently with an Accountant who has an extensive audit practice, he remarked that he had frequently been struck with the incompetency of chief clerks and book-keepers in commercial houses, who, in many cases, were in receipt of salaries out of all proportion to their real merits, and still more disproportionate to the market value of their services. He mentioned several cases of firms who paid from £250 or £350, and even £400 a year to men whose conception of their own duties appeared to be limited to the writing up and posting of the books neatly, and who never thought it their duty or business to balance, or make an effort in that direction. The consequence was, our informant added, that auditors are called upon to do work which should more properly be done before they appeared on the scene: and the balancing of the books often disclosed serious errors and omissions in customers' accounts, *pro* and *con*, which should not have been allowed to remain undiscovered six days, not to say six months, as sometimes happened. In our correspondent's opinion the errors *against* the firm making them are not usually discovered by the customer; but errors against the customer invariably are. He also thought that mercantile firms would do well to consult their auditors when filling up such appointments as those of head book-keeper or cashier; for by so doing a good selection would most probably be ensured, together with, in many cases, an actual saving in cash, and with that opinion we thoroughly agree. It would probably be found that in such cases as our informant referred to, the members of the firms themselves were utterly ignorant of the principles of book-keeping, and of the great advantage in every way that properly kept and balanced books confer; and we think that the more merchants and manufacturers know of book-keeping themselves, the greater will be their desire for the services of skilled auditors.

**THE CHARTERED INSTITUTE OF  
SECRETARIES****Annual Conference**

The annual conference of The Chartered Institute of Secretaries is to be held at Brighton from May 11th to 13th.

The conference will be opened by the President of the Institute, Mr Stuart M. Rix, F.C.A., F.C.I.S., and papers will be given on 'The company secretary - is he human?' by Mr W. F. Archer, F.A.C.C.A., F.C.I.S.; 'The building society movement - its evolution and future', by Mr S. W. G. Morton, F.C.I.S., and 'Investments in trust - a review of problems and policies', by Mr William G. Nursaw, F.C.I.S. Social functions will include a civic reception and conference dinner, and there will be a special programme for the ladies.

## LONDON STUDENTS' COLUMN

## News from the London Chartered Accountant Students' Committee

## Spring Session

Attendances at the early meetings of the spring programme have been slightly higher than at the corresponding meetings in 1960. At the new members' meeting, 151 students were welcomed by the Presidents of the Institute and of the Students' Society, and the Chairman of the committee outlined the activities of the Society in a short speech.

The debating section opened its speakers' course with the first of a series of talks by Miss H. M. Taylor, of the Abbey School for Speakers, and a theatre party has been organized.

## Annual General Meeting

Members are reminded that resolutions to be proposed at the annual general meeting must be received in writing by the Secretary not later than April 3rd. Nominations for appointment to membership of the committee must also include the consent of the nominee to serve as a committee member.

## Students' Centre

There is no definite progress to report in connection with the students' centre subcommittee's search for suitable accommodation, with the emphasis at present on premises in the City which are not used during the evening. Definite proposals are awaited from those caterers who have shown the most interest in the project, and in the meantime, further inquiries will be made.

## Social

A total of 158 members and guests attended an informal dance held on January 13th, at the Coronet Club.

The social clubs have been active. The 59 Club played hockey against The Taverners and won 12-2 and also held a theatre party. There will be a week-end visit to Paris following the May examinations.

The Taverners, in addition to the hockey match with the 59 Club, held a monthly meeting, a debate and a dinner. The Kingsway Club's second dance in the

Oak Hall was attended by 150 members and guests. The Lindsay Club called a general meeting to plan future activities.

A dance is being arranged to be held in Cambridge on the Saturday evening of the spring residential course in April.

## Sport

The Society's teams have been very successful in matches recently reported. The soccer team beat Guy's Hospital 13-2 and St Bartholomew's Hospital 8-1, while the squash team beat the Kent and Sussex Students' 5-1, University College Hospital 4-1, Bristol Students 5-1 and Nottingham Students 3-2, but lost to the Bar 1-4.

## Next Week's Meetings

The following meetings of the Society will be held next week:

*Monday, 5.30 p.m.*, at the Institute: Lecture on 'The 1960 Finance Act - penalties', by Mr K. S. Carmichael, A.C.A. Chairman, Mr R. E. J. Fisher, Chairman of the Students' Society Committee.

*Tuesday, 6.15 p.m.*, at Bedford: Lecture on 'Insurance', by Mr R. S. Bailey, Eagle Star Insurance Co Ltd.

*Wednesday*, at Chelmsford: Whole-day course with Mr V. S. Hockley, B.COM., C.A., A.A.C.C.A.

*7.15 p.m.*, at Reading: Lecture on 'How to pass exams.', by Mr G. C. Jones, F.C.A., F.I.M.T.A., Borough Treasurer of Reading.

*Thursday, 5.15 p.m.*, at the Institute: Introductory course lecture on 'The conduct of a typical case in the Courts', by Mr P. W. Medd, Barrister-at-law.

*6 p.m.*, at the Institute: Debate with the Solicitors' Articled Clerks' Society on the motion 'This house deplores the passing of the eccentric'.

*8.30 p.m.*, at The Hongkong Emporium: '59 Club' dinner.

*Friday, 5.15 p.m.*, at the Institute: Introductory course lectures on 'Management accounts and costing', by Mr Kenneth G. Bishop, A.C.A., chief accountant, Yardley & Co Ltd, and 'Partnership law', by Mr P. W. Medd, Barrister-at-law.

*Saturday*, Badminton v. University College.

THE ASSOCIATION OF  
CERTIFIED AND CORPORATE ACCOUNTANTS

## Results of Examinations held in December 1960

## FINAL EXAMINATION

## SECTION I

*First Place:* Scott, I. F., Edinburgh.

*Second Place:* Cleland, J. P., New Mills.

*Third Place:* Hipper, C. R., Norwich.

(in alphabetical order)

Auger, G. A., London.  
Ault, C. J., London.  
Azeem, S. A., London.

Bacchus, R., London.  
Bacon, N. P. R., Guisborough.  
Barnes, W., Salford.  
Barritt, J., Keighley.  
Beard, G. C., Weybridge.  
Beeson, H. O., Blackwood.

Bennett, A. J. L., Brighton.  
Bentil, M. B. K., London.  
Billing, A. L. G., Exeter.  
Bonley, D., London.  
Boreham, B. P., London.  
Bowstead, C. C., London.  
Bridger, J. H., London.  
Brothers, M. W., Old Coulsdon.  
Brown, L. H., Cardiff.  
Browne, P. D., Bristol.

Budd, W. J., Walton-on-Thames.  
Bursk, D., Prestwich.  
Burton, D. G., Cuffley.  
Butler, P., Bracknell.  
Byrnes, R., Manchester.

Campbell, J. M., Dundee.  
Chilton, R. W., Sheffield.  
Chisholm, A. L., Bromley.  
Chudley, K., Newton Abbot.

Cockburn, G. A. F., Edinburgh.  
Craig, A. A., Ayr.  
Creedon, C. I. A., Castlebar.  
Currie, J. M., Perth.

Dancey, R. S., London.  
Daniels, J. H. P., Horsham.  
Dean, C. L., Blackpool.  
Devine, T. J., London.  
Dobson, R. G., Peterlee.  
Dobson, S., Leeds.  
Doody, M. J., Waterford.

Eccles, T. E., York.  
Edwards, W. J., Manchester.  
Ellacott, A. W., Exeter.  
Esenwa, F. N., Leeds.  
Everett, D., Horndean.

Farren, L. A., London.  
Ferguson, H., Kilmarnock.  
Fletcher, I., Whitehaven.  
Foley, D., Cork.  
Ford, L. H., Mitcham.  
Fowowe, A. B., London.  
French, G. A., Huddersfield.

Gibbs, Miss A. M., Isleworth.  
Gill, Miss M., Hillingdon.  
Green, C., Norwich.  
Grose, F., Sheffield.

Hall, A. J., London.  
Halligan, A., Newtownabbey.  
Hare, M. B., York.  
Herbert, B. D., Tipton.  
Hicks, C. G., Penarth.  
Holman, J., Norwich.  
Horton, K. B., Denton.  
Howse, K. J., London.  
Hulme, E. A., Hove.  
Hutchens, J. B., Larkhall.  
Hyde, L., Croydon.

Johnson, A. R., Barnsley.  
Johnston, H. J., Newtownabbey.

Joice, J. G., Newcastle upon Tyne.  
Jones, E. H., Hockley.  
Jones, W. J. R., Brierley Hill.  
Joyce, L., Eastleigh.

Kapazira, E. L., London.  
Kassaye, G., London.  
Kelly, D., Dublin.  
Knott, A., Holmes Chapel.

Laleye, J. A., London.  
Lilley, P., London.  
Livingstone, A. M., Middlesbrough.  
Lush, W. G., Cardiff.  
Lydon, B. P., Edinburgh.

McIntyre, G., London.  
McKenzie, G. D., Hornchurch.  
Mackenzie, R. L., Petts Wood.  
MacSherry, L. J., Dublin.  
Marshall, K. J., London.  
Mateega, E. L. K., Leeds.  
Mavrommatis, G. A., London.  
Milkins, E. T., Weston-super-Mare.  
Mobley, S., Cheltenham.  
Moffat, W. T. H., Lochwinnoch.  
Morgan, D. O., Egham.  
Morris, W., Rochester.  
Moullin, G. W., London.  
Muir, D. K., Ayr.

Naylor, B. P., Hanworth.  
Neallani, N. H. M., Kingston upon Thames.  
Nicholls, N. G., Sevenoaks.  
Noble, W., Watford.  
Norris, D., Bath.

O'Connor, L., Chesham.  
O'Donovan, P. O., Cork.  
Ojo, C. A., Bedford.  
Oldfield, L., Wantage.  
O'Sullivan, M. T., Cork.

Palmer, G., Herne Bay.  
Parsons, K. R., Newport.  
Pasola, T. C., London.  
Peacock, P. E., Crawley.  
Pell, A. H., Peterborough.

Phillips, R. A., London.  
Preston, M. A., Sutton Coldfield.

Richardson, H. K., Beverley.  
Richman, D. J., Weybridge.  
Rome, J. E., Peterlee.  
Roper, C. L., Barnet.  
Rutherford, J. H., Watford.

Sharman, M. J., South Croydon.  
Simpson, R. D., Sheffield.  
Smith, B. J., Birmingham.  
Smith, J. G. S., Hawick.  
Smith, J. H., Redhill.  
Snow, T. A., Hassocks.  
Sodeinde, S. P. O., London.  
Soper, G. R. M., Bexley.  
Springthorpe, D., Leeds.  
Stone, P. M., Garsington.  
Stoneham, A. J., London.  
Sullivan, T. M., Romford.

Talaidoros, N. P. J., London.  
Teasdale, C., Newcastle upon Tyne.  
Todd, A., Glasgow.  
Tooth, W. T., Stafford.  
Turrell, K. T. C., Byfleet.

Underhill, V. J. A., Byfleet.

Vyas, G. M., London.

Walker, W., Bedford.  
Wall, D. C., Harwell.  
Walton, K. M., Sutton.  
Ward, B. D., London.  
Ward, B. N., Feltham.  
Wash, B. F., South Harrow.  
Weeks, D. W., Fareham.  
Welham, M. H. C., Dereham.  
Wheatstone, R. W., Llanelly.  
White, J. H. K., Chigwell.  
Whitman, G. E., London.  
Wildin, J., Sunbury-on-Thames.  
Wiles, R. J., Bedford.  
Wilkinson, T. C., Tipton.  
Wilks, E., Taunton.  
Williams, W. R., Loughton.  
Wong, T. P. W., Edinburgh.  
Wood, K. A., Oldham.

#### 404 Candidates failed

## FINAL EXAMINATION

### SECTION II

*First Place and Prize:* Adekoya, M. A., London.

*Second Place:* Gallagher, S., Edinburgh.

*Third Place:* Alalade, D. O., Leeds.

*Fourth Place:* Frost, J. R., Warminster.

*Fifth Place:* Klyhn, L. F., Harrow.

(in alphabetical order)

Addington, E., Preston.  
Adeyemo, M. A., London.  
Aldridge, G., Bootle.  
Antoniades, A. L., London.  
Aofolajuwonlo, O. A., Leeds.  
Arnold, H. G., London.  
Auton, C. O., Manchester.  
Avery, A. E., London.  
Ball, D. E., Enfield.  
Ballantyne, R. B., Glasgow.  
Banham, S., Norwich.  
Beven, E. A. T., Croydon.

Boddy, J. R., Leicester.  
Bott, F. W., Maidstone.  
Bowen, G. J., Hull.  
Bradshaw, E., Leeds.  
Braithwaite, R. H., Sunbury-on-Thames.  
Bridgwater, D. H., London.  
Bukley, G., Thame.  
Burder, C. D., Port Talbot.  
Burnett, J. N., London.  
Butcher, I. C. F., Cheam.

Cain, H. E. C., London.  
Carter, E., Newcastle upon Tyne.

Carver, H. J. F., Bath.  
Casswell, D. C., Grimsby.  
Charles, K., Newport.  
Chow, K. C., London.  
Christofides, T., London.  
Clarke, W. A., Guildford.  
Cole, R. C., Uxbridge.  
Colley, R., Pounton-le-Fylde.  
Collins, L. J., London.  
Comerton, J. A., Dublin.  
Connell, G. F., London.  
Conway, R. A., London.  
Cooper, D., Brierley Hill.

MOTOR — FIRE — CONSEQUENTIAL LOSS

**CAR & GENERAL INSURANCE L<sup>TD</sup>**  
CORPORATION

83 PALL MALL, LONDON, SW1

Corrigan, J. F., Watford.  
Crean, A. J. B., Liverpool.  
Crook, J. M., Brighton.  
Crudgington, S. G., London.  
Curzon, J., Sheffield.

Davies, J. E. H., Kenton.  
Davis, R. A., Bewdley.  
Dean, D., Leeds.  
Delamere, T., Liverpool.  
Dodd, D. T., Gunnislake.  
Doe, J., Saltburn-by-the-Sea.  
Doughty, J. B., London.  
Dumble, J. M., Edinburgh.  
Dundas, R. P., Dundee.  
Dunning, P. A., Oxford.

Efiong, E. O., Leeds.  
Ellis, R. M., Sutton Coldfield.  
Essex, P. C., Thornton Heath.

Falconer, L. W., Stirling.  
Fearn, J. D., Oldham.  
Ferguson, V. A., Dublin.  
Ferris, D. C., Coventry.  
Fields, A. J., Newport Pagnell.  
Finucane, L., Mellor.  
Fisher, B., London.  
Fowler, D. W., Surbiton.

Gainham, J. H., Smethwick.  
Garton, H., Acomb.  
Gibbs, W. B., Exeter.  
Gladwin, W. J., Harrow.  
Gordon, A. E., St Albans.  
Grant, J. G., Dunfermline.  
Graver, Miss R. L., Norwich.  
Green, B., Warwick.  
Gregory, R. S., Abbots Langley.  
Groom, J., Amersham.  
Gutteridge, J., Luton.

Hamilton, R. M., Belfast.  
Hannah, J., Kilmarnock.  
Hay, G. E., Rochford.  
Hudson, K. H., London.  
Hunter, R., Burnley.

Idell, S., Sheffield.

Jacobs, C. A., Leeds.  
Japp, W. W., Dundee.  
Johnson, I. E., Leeds.  
Jones, C., Swansea.

Keeble, D., Ilford.

Kemp, J. C., Ashford.  
Kemp, J. D., Harrow.  
King, A. T., Maidstone.  
Knifton, Mrs M., Coulsdon.

Lambert, R. A., Liverpool.  
Lane, A. G., Wallasey.  
Lawal, N. A., Leeds.  
Lawrie, J., Glenrothes.  
Leach, F. A., Manchester.  
Liddle, J. A., Chelmsford.  
Long, E. C., Ruislip.

McCall, J., Hebburn-upon-Tyne.  
McLay, E. G., London.  
Machado, A. M., London.  
Magill, R. B., London.  
Maginn, P., London.  
Male, P. J. W., Bristol.  
Manchester, C. A., Cheam.  
Marshall, D., Barnsley.  
Melson, G. R., March.  
Miller, B. J., Grimsby.  
Millne, J. M., Warrington.  
Millward, J. F., Nottingham.  
Minsky, A., London.  
Mitchell, G. D., London.  
Mochan, C., Glasgow.  
Mohamedani, S. G., London.  
Moulds, A. W., Dudley.  
Mullins, J. L., Manchester.  
Murphy, P. T., Watford.

Namsoo, J. T., Leeds.  
Nnam, O. I., Portsmouth.  
Nurney, N., Manchester.

Okoro, U. U., Portsmouth.  
Onalaja, Z. A., London.  
Osborn, Mrs C. M. T., London.  
Osborne, R., Hamilton.  
Osoba, G. O., Leeds.  
Oxendale, C. P., Wednesbury.

Page, T. R., Sutton Coldfield.  
Paget, N. D., Farnham.  
Parkhouse, J. R., Sutton.  
Parsons, C. J., Wallingford.  
Patterson, Miss M., Manchester.  
Preston, G., Liverpool.  
Price, L. I., Hereford.  
Prior, D. F., Bridgend.  
Prue, W. E., Southport.  
Purdham, J., Caterham.

Rae, Miss J., Helensburgh.  
Ralph, B. J. S., Buckhurst Hill.  
Redman, A. I., Hornchurch.  
Reed, W. H., West Kirby.  
Richards, C. A., Swansea.  
Roberts, H. R., Scunthorpe.  
Robinson, G. E. R., Northampton.

Sampson, P. D., London.  
Schofield, K. K., Manchester.  
Scrimshaw, J. E., Nottingham.  
Setchell, D. C., Wembley.  
Shipman, A. H., London.  
Simpson, Miss M. I., Kew.  
Skinner, A. T., Chilwell.  
Slaughter, G. J. S., Twickenham.  
Smith, K. P., York.  
Smith, W. K., Sutton Coldfield.  
Staley, R. H., Swansea.  
Stevenage, P. H., London.  
Stevens, C. F., Barnstable.  
Stewart, I. D., Kenton.  
Stirrat, J. C., Ayr.  
Sutton, R. D., London.

Talbot, J. E., Billericay.  
Tate, E. W., Blackburn.  
Tay, C. W. J., Redditch.  
Teape, D. B., Glasgow.  
Thompson, A. W., London.  
Thompson, C. B., Hertford.  
Thorburn, D. J., London.  
Thorn, B. E., Langley.  
Titchener, B. G., Chalfont St Peter.  
Topping, E. N., Sale.  
Tough, S., Weybridge.  
Trivett, K. H., Bath.  
Twist, L. M., Walsall.

Upton, K. W., Leicester.

Vincent, A. C., Craham.

Wainwright, W. J. H., Burton.  
Wales, D., Sheffield.  
Wall, R. T., Walsall.  
Watkins, W., Harpenden.  
White, P. E., Cowes.  
Whiteman, R. E., Southampton.  
Wild, D. W., Bury.  
Wilkinson, K., Bradford.  
Windsor, H., London.  
Winterbottom, M., Oldham.  
Wise, A. G., Durham.  
Woodhams, C. R., Maidenhead.

### 236 Candidates failed

## Summary of Results

Candidates		Pre- liminary	Inter- mediate	Final		Total
				Section I	Section II	
Passed with Honours	..	3	3	3	5	14
Passed	..	36	223	154	184	597
Failed	..	51	541	404	236	1,232
Total sat	..	90	767	561	425	1,843

# ROYAL EXCHANGE

## ASSURANCE : INCORPORATED A.D. 1720

HEAD OFFICE: ROYAL EXCHANGE, LONDON, Branches throughout the Country.

Accountants are  
invited to apply for the  
Corporation's Agency.



the fact that credit slips are being received from a different bank may well go unnoticed.

One method of advising paying banks of changes is to include in the records, which will usually be in punched-card form, the bank national number. This can be provided by requesting the payer when signing the order to copy such number from his cheque book. This is particularly useful in the case of orders for payment of mortgage interest under deduction of tax. If the order is made out for the gross amount (but subject to deduction of tax at standard rate), the amount of tax and net payment can be inserted on the back of the form with spaces for subsequent alterations. As each change in the rate occurs, the new net amount can be advised by an interpreted punched card, these cards being sorted in numerical order of national number and distributed to the banks concerned within a day or two of the change being announced. An arrangement of this sort obviates obtaining fresh orders, but each mortgagor is advised, also by interpreted card, of the change in the net amount payable.

Where a credit is not received, it is advisable to contact the paying bank before approaching the payer – a credit may have been dispatched but gone to the wrong destination, or the error may be due to incorrect references. It is our experience to have between 1 per cent and 2 per cent of 'unmatched' credits every month, many of which require to be referred back to the paying bank.

### Credit Transfer System

The credit transfer system has been used (where a bankers' order form is not obtainable) for nearly three years in a somewhat similar form to that now announced, except that credits have been channelled through the branches of a particular bank and the payer has not been asked to pay for the service. In future he will have to pay 6d for each remittance but he will be able to use a branch of any of the clearing banks. A form of paying-in slip (now styled 'credit transfer') is printed on the back of each premium or interest notice, and three methods of payment are given:

- (1) By post to head office (a printed return envelope is sent), when the notice form is returned receipted in the space thereon provided.
- (2) In cash to any of the company's branches, when the receipt will be similarly completed. The cash is banked for the credit of the central collecting account, thus avoiding any branch accounting.
- (3) Over the counter of a bank by filling in the cash details on the reverse of the form. One part of the form, complete with the rubber

stamp of the receiving bank, is handed back to the depositor – it contains the account particulars on the face of the form – and the other part, the detachable counterfoil, reaches us through the banking system and enables us to withdraw and clear the debit card.

Our experience so far shows about a 60-20-20 per cent division between the three methods; it will be interesting to observe the effect on (3) of the imposition of a charge of 6d on the payer.

Although the new transfer credit system is to come into effect next Monday, March 6th, a delay until October is authorized for those concerns who have to reprint forms to comply with the new requirements.

The bank is not concerned to see that the amount being transferred matches up with the amount stated to be due; usually any difference is an overpayment. Where two or more amounts are due at the same time, e.g. loan interest together with a premium, two credit forms will be needed and hence two 6d charges, as it is not practicable to bring the two items on to one form. No doubt some ingenious payers will attempt it!

### Receipts Dispensed With

Where amounts are remitted by bankers' order or by credit transfer, no receipts are sent though a periodical certificate of payment can be sent if requested. Payment by credit transfer does not necessarily imply that the premium stated on the form is discharged. The payer may have made use of a form for one month when prior months' items are outstanding – if this occurs, the amount will normally be credited to the earliest outstanding item and the payer advised.

Though the credit transfer system in its new form has been devised with those who are not (at present) bank customers in mind, there is, of course, nothing to prevent a bank customer making use of it for settlement of accounts, when it is understood the 6d per item charge will not be made. Normally he would, however, draw a cheque and if he does not require a receipt he can mark the cheque number and date on the premium or interest notice form, retain this, and send his cheque forward with the counterfoil of the notice.

A good deal of consideration is being given to methods of easing the problems associated with large volume transfers, and we may well see developments in the future in the field of processing transactions on a basis common to both bank and company mechanization, so as to enable the output of one to become the input of the other with the minimum of additional processing.

# The Accounting World

TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

## UNITED STATES

### Accounting for Inflation

**A**N interesting series of letters has appeared in *The Journal of Accountancy* (New York) following the publication in the July issue of an article by Mr A. Goudekiet, chief internal auditor of the Philips Company, of the Netherlands, demonstrating how the company corrects its accounts for inflation. Recognizing that there can be no income for any period unless the capital employed in the business has been maintained, the company regularly re-values its fixed assets by means of index numbers. Also, whenever the fluctuation in price is material, the standard prices of goods in inventory are adjusted to replacement value by means of index numbers. The replacement values are written into the accounts, depreciation on fixed assets is calculated at replacement value, and a revaluation surplus is set up.

The fact that a more appropriate basis for policy decisions is created, is of tremendous value, says Mr Goudekiet, and the cost of the application of replacement value is negligible in comparison. Hence, the company is willing to accept the decrease of its profits, by comparison with other enterprises, and the lower ratio of the decreased profits to the increased net worth.

Mr Goudekiet's article has been widely welcomed in the correspondence columns of subsequent issues. Mr Paul Grady, of Messrs Price Waterhouse & Co, New York, praised the wisdom of the accounting profession in the Netherlands in recognizing the validity of the adjusted costs. He declared it to be the forces of inertia and reaction in the profession in the United States which prevented recognition of current economic costs in financial accounts, and he hoped the article would furnish a timely case study for the research staff of the American Institute's Accounting Principles Board. Mr Maurice Peloubet, saw the real value of the article as lying in its demonstration that the replacement value theory could be practically applied to a set of complex problems in the day-to-day operations of business. He, too, hoped it would help to shake the accounting profession in the United States out of its complacency and lethargy. Professor W. A. Paton, of the University of Michigan, praised the article, but found the accompanying editorial disappointing in its commentary, with its uncritical acceptance of the notion that there was a basic contrast between 'economic' and 'accounting' measurements. He said it is not a question of reconciling accounting and economic income, but of providing management and investors with realistic and useful financial measure-

ments; he thought the journal should take a vigorous and forward-looking editorial position in this area.

Professor Willard J. Graham, of the University of North Carolina, stressed that the purchasing power used by Professor Goudekiet in his replacement accounting was not the overall, generalized purchasing power of the economist, but a specialized one measured by actual replacement costs. He pointed out, quite rightly, that the article demonstrated the practicability of making a more complicated accounting correction than if a single general price index were used.

### Proposed Change of Rule on Accountant's Independence

**A**T the last annual meeting of the American Institute of Certified Public Accountants, a proposed change in the accountant's independence rule was fully debated. The change had been endorsed by the Institute's committee on professional ethics and by the Council. It would not permit a member, during his professional engagement or at the time of expressing his opinion, to have any direct financial interest in his client's enterprise or be connected with it as promoter, underwriter, voting trustee, director, officer or key employee. In the event, action on implementing the rule was deferred for further consideration.

## CANADA

### Industrial Executive's Challenge to the Profession

**A**DDRESSING members at the eightieth anniversary dinner of The Institute of Chartered Accountants of Quebec, Mr Herbert H. Lank, President, Du Pont of Canada Ltd, said that today the accountancy profession had a community responsibility far greater than that to individual clients. International economic developments, international trade and the international movement of capital all resulted from a myriad of transactions which must be assessed, recorded and interpreted by accountants in the form of financial statements and reports.

Mr Lank suggested that accountants should surely be able to devise means for establishing the actual cost of production and distribution anywhere in the world, with clear and unequivocal cost comparisons in money terms. He sought some form of financial statement which would reveal how resources of men and materials could be best used for the good of Canadians and what would be the effects of alternative policies. Since most of the communication of results was being done by business, by bankers and

by others with vested interests, he saw the accountancy profession as qualified to explain the position and help guide the Government towards policies most conducive to the optimum standard of living over the long term.

Canada has a huge deficit in international payments on current account, with an offsetting surplus through foreign capital investment which masks the real problem. If capital and income were separated, as they are in any other financial statement, would there not be a greater effort to bring the current account into balance? Here again the accountant's financial statement should be the medium for letting the truth be known. All economic knowledge, stressed the speaker, was financial knowledge in that it can have meaning only when expressed in money terms. No longer could the accounting profession stand aloof when vital economic policies were formulated, for on it falls the responsibility for taking a major role in safeguarding and maintaining the Canadian way of life.

#### Accountants and Management Services

**A**N editorial in the February issue of *The Canadian Chartered Accountant* points to Canada's mounting trade deficit, her high rate of unemployment, and the increasing foreign ownership of her industries and asks if the accounting profession can afford to ignore the problems confronting the Canadian economy. It sees the danger to Canada in a lack of cost consciousness in the areas of production, with union resistance to improved methods or automation, and of marketing, where misunderstanding of basic concepts has made many Canadian companies dangerously vulnerable to foreign competition.

A clear understanding of management practices in all areas of business and industry is required, says the editorial, and it asks if the accounting profession is sufficiently aware of these and able to offer sound and practical advice. Is it doing enough to explain profit and expense data in such a way as to reveal areas of inefficiency and assist in improvements? During the past decade the number of persons working in the field of management services in Canada has greatly increased, but the editorial urges that it is a field for which professional accountants should be best fitted. As evidence that the profession in Canada is considered well qualified for such tasks, it cites the appointment of an eminent Canadian chartered accountant as head of a Royal Commission to inquire into the efficiency of the Federal Government and recommend improvements.

### AUSTRALIA

#### Australian Companies Bill

**T**HE draft Companies Bill prepared under the direction of the Committee of Commonwealth and State Ministers incorporates many reforms in company law. In some respects it goes further than the United Kingdom Act of 1948, and no doubt will be studied by the Jenkins Committee which is charged with the task of revising that Act.

Clause 162 of the draft Bill, which deals with the directors' annual report, requires the report to state whether or not the result of the company's operations in the period covered by the profit and loss account has, in the opinion of the directors, been materially affected by 'items of an abnormal character'. This phrase includes any change in accounting principles adopted since the last report, transfers to or from reserves or provisions, substantial bad debt writings off, substantial changes in the value of stock owing to a change in the basis of valuation, items of unusual nature or value, and the absence from the accounts of any material item usually included.

Accounts laid before the company in general meeting would require to be accompanied by a statutory declaration of the secretary verifying the accounts (clause 162 (12)).

There is provision for a 'Companies Auditors Board' of three; the chairman to be a barrister or solicitor of not less than five years' standing and a nominee from each of the State Councils of the Australian Society of Accountants and the Institute of Chartered Accountants in Australia. The Board would report to the Minister on matters relating to the accounts and audit provisions of the Bill and to effect and control the registration of company auditors and liquidators. By the terms of clause 8 (6) a person may not act as auditor in relation to a company if:

- (a) he is not a registered company auditor; or
- (b) he is or has been within the preceding twelve months (longer if the company so determines):
  - (i) an officer of the company or of a related corporation; or
  - (ii) a partner, employer or employee of such an officer; or
  - (iii) a partner or employee of any such employer; or
- (c) he is indebted to the company or to a related corporation in an amount exceeding £500.

#### New Computer Office

**T**HE computer department of Ferranti Ltd has established a permanent office in Melbourne to consolidate existing Australian representation and to deal with the growing interest in computers in Australia. Staff for the office will be recruited in Australia, and a Ferranti Sirius computer will be installed later in the year.

Interested Australian business men will be able to call at the new office to obtain information on the complete range of the company's computers, but initially attention will be concentrated on the Sirius and Orion computers. Sirius is a small, transistorized, desk-size computer, with wide applications in industry, commerce, science and technical education. The Orion is a fully-transistorized, high-speed computer, equally suitable for business and scientific applications and enables a business to introduce automation of its work by stages.

# Operating Statistics

## HOW THEY ARE BUILT UP AND USED

by W. H. LEATHER, M.A., F.C.A.

**O**PERATING statistics in some form are used probably in all manufacturing businesses. The subject of this paper is therefore not original, and I have not approached it with a view to presenting new ideas and attempting to win acceptance of new techniques. I am instead aiming to describe the purpose and methods of a very important stage of control in a normal form of management accounting system. The justification, as I see it, is that in the past the main effort has been made to explain the preparation of operating statements in money values, whereas the events which ultimately decide results are the day-to-day happenings of individuals.

### Purpose of Operating Statistics

Operating statistics, as the phrase implies, provide one important source of information to management to facilitate the control of operations. Before considering how they are built up and used, it is essential to understand their purpose and how they are integrated with the control system as a whole.

#### (a) Economics of a business

The main purpose of most manufacturing businesses is to make a profit which provides a satisfactory return on the capital which has been invested.

At the commencement of any trading period of an established business investment will have already been made in buildings and plant, and commitments will have been made for a substantial part of the fixed overhead costs.

Successful management of the business requires co-ordination of all the functions for which facilities have been provided. The main functions are design, development, purchasing, production, selling, distribution, and service functions such as maintenance, secretarial and financial. Economic co-ordination will only be achieved by drawing up some form of plan, even if this is limited to formation of policy.

<sup>1</sup> Paper presented during the 'Information for Management' Conference of the London and District Society of Chartered Accountants held in Brighton last November.

#### (b) Planned use of production resources

This plan or policy will have determined the extent and nature of the production resources. Once this has been done the other functional departments should be geared towards making the maximum use of these resources.

Now, what are they and why is this so important?

Buildings and plant represent fixed assets which normally represent a long-term investment. Once established, the business becomes further committed in practice to a substantial load of fixed overhead expense before production on a normal scale can be obtained.

It therefore follows that for such a business to be profitable a sufficient volume of output must be achieved to recover these fixed overheads and then to provide an adequate profit.

A vital part of the overall plan must be the adequate usage of production resources.

Also, of course, control of expenditure is important to ensure that planned rates of expenditure are not exceeded.



Mr W. H. Leather

#### (c) Control of the production plan

The overall control of the production plan is directed towards the achievement of an adequate volume of good production.

This is governed by many factors each of which may need to be controlled separately. There are three fundamental factors, which concern volume of output, which should be understood by both the works manager and the cost accountant, and they should pay constant attention to them:

- (1) The extent to which the plant is manned.
- (2) The extent of lost time due to such causes as waiting time, break-down, setting-up, cleaning, extra allowance.
- (3) The speed of output achieved during the time the plant is worked.

Although most business men, and presumably all accountants, understand the truth of this proposition the method of control is not so obvious. Output needs to be measured, the reasons for variations in volume of output need to be analysed, and then any

deviations from a normal result need to be evaluated.

The method adopted by most management accounting systems is to aim at rapid and local control of output by means of statistics, and to evaluate volume variances at a later stage by means of operating statements.

Control of expenditure is mainly a financial problem although certain items of expenditure such as scrap, rectification, indirect labour, and overtime premiums are derived directly from the results of production operations. Their assessment requires little more than accurate coding and compilation.

The main theme of this paper will be concentrated on a form of operating statistics to control volume of production.

### How Standards of Output are Prepared

The key to the preparation of any form of statistics concerning output is the selection of a unit of measurement.

Let us return to the original need to ensure that the resources of a business are adequately used. Again, what are these resources? I have already described their physical structure, but the real resources are the potential use to which plant may be put. This consists of potential manufacturing or processing *time*. If we can find a relationship between a physical quantity of output and the time required to perform each operation or process, such a unit of measurement is the most convenient.

This method is in common use and the unit is described as a *standard hour* which by definition is 'one hour's worth of work'. It is essential to understand this for the operating statistics to be described depend on time values and not money values.

Output must, of course, be first quantified by some form of physical count, whether by numbers, volume, weight, etc. The physical quantities must then be converted into time values. In some cases rate-fixed times may exist, in others standard times will have to be estimated or calculated but, by some means or other, time standards are required.

They may be computed on the basis that one clock hour's work should produce one standard hour giving a speed of output of 100 per cent or, as happens in most engineering businesses, that the normal speed of output is more than 100 per cent. Possibly up to two standard hours may be produced in an hour. This speed of output is described as *efficiency*.

Having established procedures to provide time values for operations, the next task is to divide the business for control purposes into budget centres which are subdivided into cost centres. These divisions usually follow the pattern of command, each budget centre being supervised by a foreman; cost centres sometimes by a charge-hand. The example, Form A, shows a machine-shop budget centre of which the capstan-lathe cost centre is the subject of the statistics. The same principles apply to assembly budget centres.

The output, regarded as the normal expectation from a day shift, should be assessed and a computation is set out in Form A. This should be self-explanatory from the column headings, although the way lost time has been dealt with may need some detailed explanation. Column F provides for the usual floor losses such as waiting time and breakdowns. Column H provides for setting time. The direct cost of lost time is charged to an expense account. Certain comments are necessary:

- (1) The day shift for a normal week is assumed to be 42 hours.
- (2) No provision has been made for extra allowances which are additional standard hours granted in exceptional circumstances.
- (3) Surplus capacity of one machine in Column D is due to one machine normally being out of operation for maintenance.
- (4) The figures of efficiency, or speed of work, in Column L, exceed 100 per cent and in fact vary for each cost centre. This is a usual situation based on an actual case.

Similar computations will be made for all budget centres of a business and will together form the basis of the production plan. Whatever the nature of the business, it must be assumed that in due course all output will be sold.

### How Data of Actual Results is Collected

A feature of properly designed operating statistics is that the data for their preparation should be readily available.

The normal situation is that a job-card is issued to the operator for each job carried out. This will contain in addition to technical and reference data:

- (1) Quantity to be processed.
- (2) Standard time rate for the job.
- (3) Quantity actually processed which has passed inspection.
- (4) Scrap.
- (5) Clock time taken with overtime separated.
- (6) Extra allowances (if any).
- (7) Time spent on setting.

If the operator is paid for lost time a separate card is usually made out.

This method applies where rate-fixed times are set for pay purposes. If time rates are not used for pay purposes, quantity records of output have to be prepared and converted separately. It is difficult to generalize as to procedure as circumstances vary in detail. A time and production summary should be prepared giving totals for each cost centre for output in standard hours, extra hours allowed, actual clock hours giving overtime separately.

Often compromises are required. For instance, if some operations are started in one week and completed in the next, some assumptions usually have to be made in the preparation of data.

If operating statistics are being introduced for the first time two conditions are essential. Firstly, output

BUDGET CENTRE: Machine Shop  
DATE SET: November 1960CALCULATION OF NORMAL STANDARD HOURS  
X.Y.Z. LTD

COST CENTRE	Name	No.	Number of		Absolute capacity hours	Surplus capacity hours	Planned capacity hours	Available hours usage	Normal productive hours	Productive hours usage	Net productive hours	Capacity usage	Expected efficiency	Standard hours	
			Operators	Machines										Per week of 42 hours	Normal
			A	B	$C = B \times 42$	D	$E = C - D$	F	$G = E \times F$	H	$J = G \times H$	$K = \frac{J}{E}$	L	$M = C \times F \times H \times L$	$N = J \times L$
								Per cent		Per cent		Per cent	Per cent		
Milling machines	01	9	9	9	378	—	378	95	359.1	75	269.3	71.2	222	597.8	597.8
Drilling machines	02	17	13	17	714	168	546	95	518.7	90	466.8	85.5	181	1105.0	844.9
Grinding machines	03	4	4	4	168	—	168	95	159.6	80	127.7	76.0	212	270.7	270.7
Vertical boring mills	04	9	9	9	378	—	378	90	340.2	85	289.2	76.5	195	563.9	563.9
Horizontal boring mills	05	11	11	13	546	84	462	90	415.8	75	311.8	67.5	225	829.1	701.5
Centre lathes	06	8	8	9	378	42	336	90	302.4	85	257.0	70.5	197	509.7	506.3
Capstan lathes	07	21	21	22	924	42	882	95	837.9	80	670.3	76.0	200	1404.0	1340.6

## FORM B

## OPERATING STATISTICS

X.Y.Z. LTD

COST CENTRE: Capstan Lathes

BUDGET CENTRE: Machine Shop

DETAILS		Budget for a 42-hour week	Actuals				4 weeks' Total
			Week No.				
			1	2	3	4	
CLOCK HOURS							
Number of machines or operators	1	22	22	22	22	22	22
Capacity hours per week	2 = 1 × 42 hrs.	924	924	924	924	924	3,696
Less Surplus capacity on day shift	3	42	224	224	99	587	3,696
Available hours on day shift	4 = 2 - 3	882	700	700	825	3,109	3,696
Add Overtime	5	—	—	228	200	544	3,696
Total available hours	6 = 4 + 5	882	700	928	1,025	3,653	3,696
Less Lost and waiting time	7	212	200	223	325	948	3,696
Net productive hours	8 = 6 - 7	670	500	705	700	2,705	3,696
STANDARD HOURS							
Normal standard hours	9	1,340	1,340	1,340	1,340	5,360	5,360
Standard hours produced	10	1,340	850	1,340	1,400	5,110	5,360
Extra allowances	11	—	80	36	140	306	5,360
Allowed hours paid	12 = 10 + 12	1,340	900	1,376	1,540	5,416	5,360
PERCENTAGES							
Capacity usage	13 = 8 ÷ 6	76.0	71.4	76.0	68.4	74.0	74.0
Efficiency - Management	14 = 10 ÷ 8	200.0	170.0	190.0	200.0	180.0	180.0
Operator	15 = 12 ÷ 8	200.0	180.0	195.0	220.0	200.2	200.2
BUDGET COMPARISONS							
Activity	16 = 10 ÷ 9		63.4	100.0	104.5	95.3	95.3
Manning	17 = 6 ÷ budget		113.4	70.0	116.0	103.5	103.5
Capacity usage	18 = 13 ÷ budget		105.3	94.0	100.0	97.5	97.5
Efficiency - Management	19 = 14 ÷ budget		95.0	85.0	95.0	94.5	94.5
Operator	20 = 15 ÷ budget		100.0	90.0	97.5	100.1	100.1

must be measured and secondly, time values must be available to convert physical quantities to time.

### Preparation and Design of Operating Statistics

If the foregoing has been understood the operating statistics, Form B, should now be intelligible. It has been designed to show the extent to which the standards of output have been achieved.

Although certain technical words have been used, their meanings in this context should be clear. The formulas for the calculations are included. The problem of using a standard terminology is a matter for the future, and alternative words may be used at will.

The figures in the budget column agree with those on the bottom line of Form A.

It is usual to present the statistics in this form giving the whole record of figures to facilitate interpretation. They are primarily intended to provide information to foremen and works managers who usually prefer to be able to check how the figures of results have been computed.

The important section is the last one headed 'Budget Comparisons' showing the analysis of results as percentages of a base of 100 per cent. In practice figures less than 100 per cent are typed in red.

The trend of these results is often of more importance than isolated results for a particular week or period. It is found that the addition of a graph as a final section is an advantage, and generally preferred as an additional method of presenting results. This is shown in Form C.

The arrangement of columns is a matter of convenience. The sub-total columns may be for any number of weeks, and may be positioned together on the right-hand side of the form thus facilitating the design of the graph if one is used.

The example has of necessity been over-simplified in this respect, due to considerations of space. In practice, a sheet would include a total period of at least thirteen weeks. The form itself should be on durable paper such as manila and will have each set of weekly results added as they become available.

Operating statistics are usually prepared for a weekly period and produced as soon as possible after completion of the payroll.

I have already explained the main purpose of operating statistics. Their detailed design depends on the particular circumstances of the business concerned. Before the design of any control system is attempted it is essential to establish the particularly important control points, and deal with them as necessary. For instance, in some businesses absenteeism is all-important; in others control of setting time, excessive lost time and so on. In such cases, a more detailed analysis of operations may be desirable and worth producing.

This extension is only a problem of analysis and the usual method is to support the operating statistics by the detailed analysis required. The lost time shown

FORM C  
COST CENTRE: Capstan Lathes  
BUDGET CENTRE: Machine Shop  
Sheet 2

DETAILS	Budget for a 42-hour week	Actuals				4 weeks' Total
		Week No.				
		1	2	3	4	
	Per cent					
	150					
	140					
	130					
	120					
	110					
	100					
	90					
	80					
	70					
	60					
	50					
KEY						
Activity	—					
Manning	- - -					
Capacity usage	.....					
Efficiency:	-----					
Management	0.0.0					
Operator						

OPERATING STATISTICS  
X.Y.Z. LTD



in line seven may be subdivided into appropriate headings, and a detailed lost time analysis is generally prepared.

### Link with Operating Statements and Profit and Loss Account

I said in my introduction that a well-run business should have a plan or at least a policy. Statistics are one form of control to check whether the plan is being carried out. There are two main situations:

- (1) Where no detailed plan or budget has been prepared but where the influences affecting the business are understood.
- (2) Where a detailed plan or system of budgetary control is in operation and periodic operating statements showing variances are prepared.

In the first situation a good management will still have some form of control system which may at its simplest in a small business be limited to an analysis of sales. The manager may know that if certain efficiencies and activities are achieved the final results will be satisfactory. An exact conversion of these results into money values may not be necessary. In such cases statistical information may be a separate presentation from the profit and loss account and will provide an adequate explanation of the trends of the results. The principles for setting this up are straightforward: first select the key control points, then design a form of report which provides the essential information to effect control.

In the second situation, which is the one for which my example is designed, the statistical statement is the forerunner of the operating statement. If the operating statement is designed to give a reasonably full analysis of performance variances the same data is required. *The statistical variances expressed as percentages of budget will only precede their evaluation in terms of over- or under-recovery of fixed overheads which appear as money variances in the operating statement.*

An abbreviated example of such an operating statement is set out in Statement E, for which Statement D gives the calculations. It will be seen that the variances correspond in amount, whether profit or loss, with the results in the operating statistics.

The calculations of the variances in Statement D are included to make Statement E complete and are not in themselves intended to be part of the main subject of this paper.

### Interpretation of Results

Production statistics are primarily designed to provide information for foremen and will, of course, be available for reference to their supervisors whether they be superintendents or works managers.

The figures alone will be understood by a foreman after some practice and experience, but as a general rule it is important for them to be explained to him or discussed with him by an accountant. Important situations will, of course, be reported to

higher authority and will probably have been done so in any case at the time when the events occurred. Ideally, statistics should be confirmatory but their use does form part of the system of supervision. Foremen usually co-operate well and are pleased to have these statistics. They are well acquainted with time values and can usually give the real explanations of variances.

The example has been designed to show four different situations as follows:

*Week 1:* This is a reasonably normal situation. An extra load has been absorbed by overtime. Capacity usage is 105.3 per cent and might have been due to a lower incidence of setting-up time through longer runs. Operator efficiency was 100 per cent. Since activity and manning are equal, the loss in output due to extra allowances has been counteracted by good operating efficiency and capacity usage.

*Week 2.* This week shows a low activity due to a recession in orders. The result, which occurs in practice, was an increase in paid lost time due to claims being made wherever possible. Efficiency was down. Both are costly and inevitable in such a situation although in theory the budgets should be achieved.

*Week 3.* This week shows a normal activity but achieved as the combination of a short day shift and overtime. Explanation is important. The short day shift might be due to low orders, absence, illness or machine breakdown. Overtime might be justified through urgent orders being required on certain jobs set up on certain machines. This situation might be due to bad organization, or temporary pressure of events which are unavoidable. Whatever the reason it is a costly method of manufacturing.

*Week 4.* The features of this week requiring explanation are low capacity usage and high extra allowances. Management efficiency was 100 per cent. If extra allowances become high they need careful control and authorization must be strict. Otherwise abuses may occur. If necessary an analysis is prepared.

### Other Forms of Statistics

I have not devoted the same amount of time to other forms of statistics. They will mostly take the form of physical measurements preferably set out as a comparison with standards. Variances usually can be evaluated readily.

The principle I have already stated is that the key control points should be ascertained and a suitable control form designed. The interval of presentation varies. Some processes require hourly readings such as the quantity of gas in a gas-holder, others daily, weekly or monthly.

### Conclusion

I have left to the end what I should have emphasized at the beginning but it will, I hope, be more readily understood now.

Operating statistics in the form of my example,

OPERATING STATEMENT AND PROFIT AND LOSS ACCOUNT  
X.Y.Z. LTDSTATEMENT D  
COST CENTRES  
PERIOD I

DATA: The budgeted output for four weeks was 5,360 standard hours.  
Assume budgeted expenditure for total works costs is £5,360 of which £2,680 is fixed and £2,680 is variable expenditure, giving costing rates of 10s each.

CALCULATION: The standard value of output is therefore 5,110 hours  $\times$  £1 = £5,110.  
The cost of producing this output will have been:

Variable expense	£5,110 $\times$ 10s	..	..	..	..	£
						2,555
Fixed expense	..	..	..	..	..	2,680
Total cost	..	..	..	..	..	<u>£5,235</u>

(This ignores expense variances such as overtime premiums, cost of lost time variances, etc.)

Now consider the output measured in hours, i.e. 5,110 standard hours.

Standard hours allowed were 5,416 so that 306 hours were lost through this amount of unproductive work.

The loss variance for extra allowances is therefore  $306 \times 10s = £153$ .

Allowed hours paid were 5,416 which resulted from 2,705 hours worked at actual efficiency (200.2 per cent).

If the efficiency had been normal (200.0 per cent) the output would have been 5,410 allowed hours.

Therefore there was a profit variance of  $6 \times 10s = £3$  due to efficiency.

Similarly, if we multiply total available hours 3,653 by normal capacity usage 76.0 per cent and normal efficiency, 200 per cent, the output would have been 5,550 hours.

The loss due to capacity usage variance is therefore  $140 \times 10s = £70$ .

The difference between 5,550 and budgeted output 5,360 hours, 190 hours  $\times$  10s = £95 is the variance due to manning.

OPERATING STATEMENT AND PROFIT AND LOSS ACCOUNT  
X.Y.Z. LTDSTATEMENT E  
COST CENTRES  
PERIOD I

The part of the operating statement which deals with performance variances is as follows:

Output at standard value	..	..	..	..	..	£
						5,110
Actual cost	..	..	..	..	..	5,235
Total variance - loss	..	..	..	..	..	<u>£125</u>
Analysis of total variance:						£
Manning	..	..	..	..	+	95
Extra allowances	..	..	..	..	-	153
Efficiency (operator)	..	..	..	..	+	3
Capacity usage	..	..	..	..	-	70
					-	<u>£125</u>

(N.B. Any deviation from actual cost of £5,235 will produce an expense variance.)

A very simplified form of profit and loss account to show how these variances are incorporated is as follows:

Sales at actual realized prices	..	..	..	..	..	£
						5,621
Standard cost of sales	..	..	..	..	..	5,110
Standard profit (10 per cent on cost)	..	..	..	..	..	511
Variances:						
Volume	..	..	..	..	..	- 125
Expense	..	..	..	..	..	?
Profit	..	..	..	..	..	<u>£386</u>

Notes.

(1) Sales £5,621 less actual cost £5,235	..	..	..	..	..	£
						386
(2) Budgeted sales would have been	..	..	..	..	..	5,896
Standard cost of sales	..	..	..	..	..	5,360
Standard profit (10 per cent on cost)	..	..	..	..	..	<u>£536</u>

altered in detail if necessary, provide all the key information for the control of performance which decides volume of output. If standards of performance can be established as part of a detailed plan or as a matter of policy the statistics provide the means of an up-to-date forecast of the resulting profit and loss performance variances. Whether production is sold and whether expenditure, which includes such items as usage of material and scrap, is excessive are

separate matters requiring separate controls. Operating statistics alone will not control a business, but they form a vital part of any control system.

Their value depends on the use to which they are put by the management. But, at this point, the subject of this paper ends. The management accountant must establish relationships with all levels of his management in such a way that full value is obtained from his efforts.

## Weekly Notes

### Royal Commission on the Press

THE Prime Minister in announcing the Government's decision to set up another Royal Commission on the Press (see *The Accountant*, February 18th, at page 203) said



Professor R. Browning

that it was proposed to keep the membership of the commission small in order to facilitate its speedy operation. In the event, it may well be that the commission, the members of which were named in the House of Commons last Tuesday, is one of the smallest on record. Under the chairmanship of Lord Shawcross, a former

Attorney-General, the commission has but four members, one of whom is a Scottish chartered accountant, Professor Robert Browning, C.B.E., M.A., LL.B., C.A. Professor Browning, who received the C.B.E. in the last New Year Honours, is Professor of Accountancy at Glasgow University and a former member of the Council of the Scottish Institute. He is senior partner in the firm of John E. Watson & Co, Chartered Accountants, of Glasgow, and since 1958 has been chairman of East Kilbride Development Corporation.

The other members of the commission, whose terms of reference include consideration of the economic and financial factors effecting the production and sale of newspapers and periodicals, are Sir Graham Cunningham, chairman of Triplex Safety Glass Co Ltd, Mr W. B. Reddaway, director, Department of Applied Economics, Cambridge University, and Mr W. J. P. Webber, general secretary, Transport Salaried Staffs' Association and a T.U.C. Council member.

### Opposing Views on the Budget

IT is interesting to compare the suggestions of the Federation of British Industries about the coming Budget with those published on the same day by the General Council of the Trades Union Congress. The F.B.I. concentrates on surtax, which it says is much too great a burden. The simple remedy would be to raise the exemption limit but this would not help towards a properly graduated combined system which the Federation would like to see. Accordingly, it suggests a reduction in rates and, at the same time, the granting of earned income relief, as well as other allowances, for surtax. The change would not, in the Federation's view, be inflationary but on the contrary would be an incentive to higher production.

The T.U.C. General Council is of the very definite opinion that surtax should not be reduced, arguing that such a reduction would probably be a disincentive. A still further raising of direct taxation would be better than increased charges for social services. All should share in the rise in value of company shares — by a capital gains tax. As regards the economic situation, the Government should take a calculated risk by expansion. This contrasts with the Federation's advocacy of restraint of inflationary tendencies, and its opposition to widespread tax reliefs which would directly encourage consumption.

The F.B.I. repeats the recommendations it made previously that overseas trade corporation exemption should extend to dividends from overseas subsidiaries, the Cases IV and V of Schedule D should be on the current year basis, and that double tax relief should be extended.

### Growing Interest in Decimalization

AS far back as 1854 Mr Gladstone, while conceding the advantages of decimal coinage, said that the Government must be guided on the matter by 'the enormous masses of the community who have immense business to transact'. Two years later, a Royal Commission reported that it did not seem desirable 'to disturb the established habits of the people in regard to the coins now in use'. So, also, said another Royal Commission in 1868. From time to time, thereafter, efforts have been made to rouse the interest of Parliament and the population in this reform, but it is only in the last decade as, one by one, the Commonwealth and other nations have converted

their own currencies that the need for action by the United Kingdom is becoming belatedly apparent.

Evidence of the growing concern in this direction continues to accumulate. In the House of Lords on Thursday of last week, the Earl of Dundee, Minister without Portfolio, promised a Government statement on the subject later in the year, and in the House of Commons (see 'In Parliament' on another page), also last week, the Chancellor of the Exchequer and the President of the Board of Trade had to answer a number of searching questions put to them by Members. Meanwhile, the *Daily Mirror* has inaugurated what it calls a 'coinage inquiry' to discover the views of its fourteen million readers who are invited to vote for or against decimalization, and a columnist in the *Daily Herald* last Saturday expressed his pleasure that, in five years, advocates of decimal coinage have been subtly transmuted by changing opinion from 'cranks' into 'progressive thinkers'.

Not all the views currently being put on record are, however, positive. In *The Sunday Times*, a letter a week or two ago from a professor crying 'Down with decimals' has found supporters and, in our own correspondence columns this week, a retired accountant voices his profound misgivings on the desirability of any alterations to our present system.

Certainly the much publicized transitional difficulties which the South Africans are experiencing, add point to the importance of not having two separate currencies simultaneously in operation. One of the indoubted, if undeserved, benefits of being last in the field, however, is that the mistakes made by others may be avoided.

### Variation of a Settlement

THE marriage settlement of a High Court judge, Sir Seymour Edward Karminski, was on February 22nd, the subject of an order by Mr Justice Wilberforce approving an arrangement varying the settlement under Section 1 of the Variation of Trusts Act, 1958. The original trusts were for Lady Karminski for life, then for the husband, if surviving, on protective trusts for life, and, subject to the foregoing trusts, for the issue of the marriage. There was a power for the wife to appoint interests to a subsequent husband or the issue of a subsequent marriage. The arrangement consisted principally in converting the husband's reversionary protected life interest into an absolute life interest.

In sanctioning the arrangement, Mr Justice Wilberforce said (according to *The Times* of February 3rd) that he took the following matters into account:

- (1) The protected life interest was created in 1927 when the husband's circumstances were very different from what they had happily since become. Moreover, in 1927, settlors and their advisors were not so alive as they had since become to the desirability of income beneficiaries being able to surrender their interests to the remaindermen (perhaps an oblique reference to estate duty avoidance).

- (2) It could not have been the settlor's intention to provide benefits for a second wife of the husband, or for children of a second marriage of his. The evident purpose of the protective trusts was to protect the husband while the first marriage or children of it were in existence.
- (3) Although the husband had not undertaken to release his interest, the effect of the conversion would enable him to make such release, and thus benefit the children of the marriage to a greater extent than would be the case if they were merely interested under the protective trusts;
- (4) The wife undertook as part of the arrangement to release her power to confer benefits on a subsequent husband. This was definitely beneficial for the persons whose interest under the protective trusts had principally to be considered, and made the arrangement as a whole appreciably more attractive of the Court's discretionary approval (*In re Burney's Settlement Trusts*).

This is one of the very many cases where the Variation of Trusts Act, 1958, has been prayed in aid of a scheme which promises substantial mitigation of estate duty.

### Lloyds Permanent Building Society

THE inspector appointed on February 3rd, 1961, to examine into the affairs of Lloyds Permanent Building Society has already made an interim report<sup>1</sup>. The Society was incorporated on October 28th, 1954, under the Building Societies Act, 1874, and expanded rapidly; by the end of 1959 it had spent £62,000 on advertising, representing nearly a third of the total management expenses. High rates of interest were both paid and charged; owner-occupier borrowers paid up to 8½ per cent, plus an 'indemnity premium' of 7½ per cent where the amount advanced exceeded 80 per cent of the valuation of the mortgaged property. There were twelve branch premises which, the inspector says, had obviously been acquired for the purpose of attracting investment. The society possessed eleven motor-cars, all but one being bought in 1959 or 1960. The cost prices range from £561 to £5,835 (a Ford Lincoln). One of the advances was on the security of the property of the Society's former chairman and secretary, Mr Robert Jones. At January 1st, 1960, it stood according to the books at £59,480, later reduced to £26,434. The inspector estimates the Society's deficit at some £20,000. The board, other than Mr Robert Jones, have resolved to elect Mr Ernest Partridge, C.B.E., M.P., as chairman. Mr Robert Jones contests the validity of his own removal, and of the appointment of Mr Partridge.

In his report the inspector suggests that it is desirable for a meeting of the members to be held without delay, and it was announced last Wednesday that the board of directors are calling a special general meeting to be held on March 28th. In view of this

<sup>1</sup> Published on February 24th. H.M.S.O. Price 1s net.

the Chief Registrar of Friendly Societies does not propose, for the time being, to exercise his powers under the Building Societies Acts to call such a meeting.

### Civil Engineering Contractors' Record

**I**N 1960, the work done by contractors in Great Britain was the highest in value since the war. It totalled £2,145 million which was £169 million more than in the year before or an increase of 8 per cent allowing for price changes.

Last year there was a substantial increase in house building but it was entirely for private houses. Work

in the private sector for building other than housing also increased. Work for the private sector as a whole has also continued to increase since the turn of the year. Spending by public authorities on work other than housing declined but the value of repair and maintenance work was 6 per cent higher, partly due to the operation of the 1958 Housing Act which provides for improving housing accommodation.

Of total contracting work last year, as much as 30 per cent was accounted for by housing. Despite the continuing strong upward trend of industrial building, the housing programme therefore continues to provide a large proportion of the total work for the industry.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 66

**W**E'VE had a private pension scheme in our company these last ten years or so, and it's extremely popular with the staff, most of whom are members. It's voluntary, of course, and contributory, but the retiral pension at 65 is excellent and includes really good provision for widows and orphans. Our bachelors naturally are slow to join, but it's instructive to note how rapidly the newly-weds sidle in and say sheepishly they've reconsidered the matter.

Our mortality rate is fortunately very low, nevertheless it was a shock last week when Joe, our senior traveller, dropped in his tracks in the personnel director's office. A well-liked, quiet little ex-Naval man in his mid-forties, just the type that coronaries seem to hit nowadays . . . we were all depressed. However, Prinny checked the records and saw there was a wife in London . . . married six years . . . no children. He sent her a sorrowful message and asked her to call at her convenience. She was probably very upset, as she sent two phone messages to say she was coming.

We arranged that we'd see the widow together; although strictly speaking it's a matter for the personnel director, Prinny likes company on these occasions. Last year he had a shock. A foreign-born widow with whom he was amicably discussing things suddenly tried to strike him with her umbrella across the desk. He had been referring to her as the deceased's relict, and she must have misunderstood the epithet. Since then he's been careful.

Prinny's glacial secretary phoned my office on Monday morning to say that Mrs Joe was arriving and immediately afterwards the lady was ushered in by Joe's old fellow-traveller, Charles. She was a pretty, dark girl, trying to bear up bravely, and we settled matters rapidly. I had to explain the calcula-

tion of the widow's percentage; there was a provision that her allowance ceased on remarriage, forms had to be signed, and we arranged the procedure for future payments. It was a sad business, but fussing over the formalities eased the strain a little, and she was very gracious even in her grief.

When she had left with Charles, who was very helpful, I wondered why Prinny hadn't shown up, and I slipped across to his office to report. Miss Glacial said coldly that he'd been waiting for me, so I went right in.

My first shock came when he introduced the lady with him - a hard-eyed, matronly character in deepest black, with a mouth like a steel trap - as Mrs Joe. 'We've nearly finished', he said aggrievedly, while my thoughts were whirling. 'Didn't you get my message?'

She interrupted us. 'But I thought there would be something for the children,' she said. 'They're all eligible; the birth certificates are attached.' She pushed a photograph of five children across the table and Prinny's mouth fell open in surprise.

'They're not eligible if they're not Joe's, you know,' he began in some confusion, pointing to the record card beside him which read clearly 'None' in the family section, in Joe's unmistakable round handwriting. Simultaneously with her snort of indignation, while I tried to interpose a warning word, Glacial came in hurriedly.

'Please, sir, something urgent,' she beckoned me in a frantic whisper. 'There's a lady out here who says she's Mrs Joe.' Outside stood a plump, apple-cheeked girl with a doleful expression, her eyes brimming with unshed tears, her hands clasping a bundle of documents to her bosom.

I tried to puzzle it out, while overhearing Prinny explaining pompously about the effect of a disclaimer of paternity. Those two phone calls . . . Joe's guileless smile . . . (My old grandmother used to say that the quiet ones were the worst - a wife in every port). Then the penny dropped. 'I rely confidently on the personnel department to sort it out,' I said firmly, and departed with haste. It is, however, questionable if anyone heard me, as the plump visitor was in hysterics in Glacial's reluctant arms, and the matronly character was trying to hit Prinny with her umbrella.

# Finance and Commerce

## The Worth of £1,500

OUR original investment in this company was £1,500, plus a very great deal of hard work,' states Mr Harry Dolman, chairman of Brecknell, Dolman & Rogers Ltd (whose accounts form the subject of this week's reprint), referring in his annual statement to Polymark Ltd. The £1,500 stands in the balance sheet against 'Trade Investment', a very minor item among assets totalling £1,405,100. For hard work, there is no book entry. Next year's accounts, however, will show the financial reward.

Brecknell, Dolman & Rogers, of Bristol, is a company that manufactures specialized machinery: coin-in-the-slot selling machines; egg packing and grading machines – machines with a variety of applications.

In 1948, Mr Hans Meyer, now managing director of Polymark, called on Mr Dolman to demonstrate a new idea for marking garments, towels, sheets, etc., handled by public laundries, 'with the aid of an ordinary flat iron, a piece of fabric tape, scissors, a pair of tweezers and a handkerchief'. Mr Dolman, says that Mr Meyer convinced him that there was something in the idea.

Mr Dolman goes on to describe the hard work aspect. 'I was most impressed with the job in principle,' he says, 'and decided almost at once that we would "have a go"'. It took us the best part of two years to produce a satisfactory machine.'

## Polymark

It was something that had never been done before. The machine had to cut a tab from a special fabric tape, print numerals on the tab, spray it with a special liquid, and affix it under controlled heat and pressure to the garments to be marked, all in one operation. The marking tabs had to be stuck to the various types of garments and materials firmly enough to stand up to all laundering operations, yet they had to be easily removable after laundering without damaging the garments.

In 1950, Polymark Ltd was formed. Laundry managers hardly needed to be persuaded. The machine - cutting sorting and handling costs by at least 50 per cent - spoke for itself.

About 6,000 machines have been sold; for some time production has been running at about one hundred machines per month delivered to forty countries.

Last December, the shares of Polymark were put on the market. The company then had £200,000 of issued capital, £60,000 in 2s Ordinary and £140,000

£	1957	£	CAPITAL	£	£	1957	£
15,000		15,000	Authorised				
233,000		485,000	13,000 3% Cumulative Preference Shares of £1 each				
250,000		500,000	2,425,000 Ordinary Shares of 4/- each				
15,000		15,000	Issued				
234,667		469,334	15,000 5% Cumulative Preference Shares of £1 each				
			2,346,672 Ordinary Stock Units of 4/- each, fully paid				
249,667		484,334					
300,000		140,000	REVENUE RESERVES				
55,628		57,226	General (Note 1)				
			Profit and Loss Account Balance				
355,628		197,226					
605,295		681,560					
219,591		209,588	AMOUNT SET ASIDE FOR FUTURE INCOME TAX				
308,244		301,124	CURRENT LIABILITIES AND PROVISIONS				
25,000		25,000	Sundry Creditors and Accrued Charges				
15,352		16,235	Provision for Liabilities under Sales Guarantee and Maintenance Contracts				
99,483		120,922	Customers' Deposits against Orders				
191		191	Provision for Current Taxation				
43,120		50,307	Provision for Preference Dividend Accrued, less Tax				
129		173	Proposed Final Dividend on Ordinary Stock, less Tax				
			Unclaimed Dividends				
491,519		513,952					
£1,316,405		£1,405,100					

in 2s 'B' Ordinary, the 'B' being held by the Meyer-Dolman interests. Prospective dividend for 1961 is 30 per cent on the Ordinary and 5 per cent on the 'B' shares; 5 per cent being the 'B' entitlement until such time as they may be converted into Ordinary and that can only be when profits have exceeded £150,000 for two consecutive years. The 1961 expected figure is something over £130,000.

Polymark Ordinary were placed at 8s 9d. They were a shilling over that in the first day's dealings. Current level is a bit over 13s.

Mr Dolman sums up as follows: 'Recently we decided with Mr Meyer to make Polymark Ltd a public company and to sell 35 per cent of our interest. As a result, we have received nearly £150,000 and out of the capital profit realized we propose to distribute to the stockholders of Brecknell, Dolman

& Rogers 1s for each ordinary stock unit held on January 24th, 1961. This will account for £117,334 and the remainder we propose to use to pay for extensions under construction. As this transaction took place in December 1960, it will be shown in next year's accounts.'

### No Distinction

NO difficulty arises in distinguishing parent from group figures in the dual balance sheet of Stimpson-Perkins Ltd, leather manufacturers. Whichever column one looks at, parent or group, the figures are the same. This unusual situation results from the transfer of the businesses of the subsidiaries to the parent company.

One difference between the parent and group columns must be admitted. In the parent accounts,

#### BRECKNELL, DOLMAN & ROGERS LIMITED Profit and Loss Account for the year ended 30th September, 1960

1959	£		£	£	£	£
392,573		<b>PROFIT ON TRADING</b>				329,291
		The Trading Profit shown above has been arrived at after taking account of:—				
	1959					
	35,206	Depreciation .. .. .		41,301		
	2,500	Directors' Remuneration Fees .. .. .		2,500		
	32,393	Other Emoluments, including Share of Profits, and Payments to provide Pensions .. .. .		34,799		
				37,299		
	25,000	Provision for Liabilities under Sales Guarantee and Maintenance Contracts .. .. .				
	750	Audit Fee .. .. .		900		
	121	Expenses and Duty on Bonus Issue .. .. .		2,094		
	3,750	Add Gross Income from Trade Investment .. .. .				4,250
	396,323					333,541
	11,834	Add Special Credit				
		Excess Taxation provision in previous years .. .. .				
	408,157					333,541
		<b>PROFIT FOR YEAR BEFORE TAXATION</b> .. .. .				
		Deduct Provision for Taxation based on Profits of this Account				
164,312		Income Tax .. .. .			130,462	
42,296		Profits Tax .. .. .			37,240	
	206,608					167,702
	201,549	<b>NET PROFIT FOR YEAR AFTER TAXATION</b> .. .. .				165,839
	51,403	<b>BALANCE FROM LAST YEAR</b> .. .. .				55,628
	252,952	<b>BALANCE AVAILABLE, DEALT WITH AS FOLLOWS—</b>				221,467
457		Dividend on 15,000 5% Cumulative Preference Shares for year to 30th September, 1960, less Tax .. .. .			459	
28,747		Interim Dividend on Ordinary Stock of 13½%, less Tax .. .. .		38,808		
43,120		Proposed Final Dividend on Ordinary Stock of 17½%, less Tax .. .. .		50,307		
				89,115		
125,000		Transfer to General Reserve .. .. .		74,667		164,241
	197,324					
	£55,628	<b>BALANCE AS PER BALANCE SHEET</b> .. .. .				£57,226

#### BRECKNELL, DOLMAN & ROGERS LIMITED

##### NOTES ON THE ACCOUNTS

	£
(1) Revenue Reserves—General:	
Balance as at 30th September, 1959 .. .. .	300,000
Less Amount capitalised .. .. .	234,667
	65,333
Added this year .. .. .	74,667
	140,000
Balance as at 30th September, 1960 .. .. .	£140,000

(2) Outstanding contracts for Capital Expenditure are estimated at £7,000 (last year £8,500).

(3) The Cumulative Preference Shares became liable to redemption on 31st October, 1952.



there is an item under 'Investments in subsidiary Companies', 'Shares at cost, less amounts written off - £108,000' but this is balanced off with 'Less current accounts - £108,000' and with 'nil' carried out into the final column, the balance sheet totals for parent and group are unaffected. Both sides - or both sections because the figures are in columnar form - add up to the same total.

One would have thought that here was a case where the requirements of the Act regarding consolidated accounts might have been adapted to the company's circumstances. A note to the balance sheet could have explained the matter of the £108,000. But apparently an application to the Board of Trade to allow the company to dispense with the duplication involved in printing the figures twice, was unsuccessful.

The mind of 'higher authority' is sometimes difficult to understand.

### Fifty Years

**L**AKE & ELLIOT LTD celebrates fifty years since incorporation with a pictorial brochure. Those who could look back over half a century or longer, have been known to philosophize that it is not so much the length of time that counts, it is what

has been accomplished in the time that matters. This company, however, scores on both points, for the last fifty years have produced the most astounding developments.

The company's business goes back to the bicycle shop in New Street, Braintree, Essex, opened by Mr W. B. Lake, father of the present chairman, in 1892. In 1896, he was joined in partnership by Mr E. F. Elliot at Albion Works, Rayne Road, Braintree, making cycle tools, accessories and motor jacks. In 1905, they built an iron foundry at Chapel Hill to produce grey iron castings for the jacks. The next year it was a steel foundry using a continental metallurgical practice that set a new standard for steel castings in Great Britain. In 1910, when the company was formed, Mr Lake installed the first electric arc furnace in Great Britain for the production of steel castings; and so on.

The brochure takes the reader from the pictures of the two founders, with the letter Mr Elliot wrote to Mr Lake suggesting partnership, and the little cycle works, through to the very latest developments; and a balance sheet after fifty years totalling over £2 million.

It is well that such record of early beginnings should be thus preserved.

## CITY NOTES

**T**HE sale of £85 million worth of steel company prior charges has failed to make any noticeable impression on the weight of money available for investment in established shares. The average investor still seems to have the equity 'bit' between his teeth. The fact that 90 per cent of the steel offers is being taken up by customers and clients of the banking and stockbroking consortia indicates a strong institutional investment demand for high yielding issues, but the rank and file of investors still scorn yield to a considerable degree.

There has, however, been some selling of undated gilt-edged stocks for transfer into the new steel offers, but the main cause of a fresh gilt-edged market fall has been the withdrawal of hot money - a move which has been signalled in the foreign exchange market by a fall in sterling below the dollar parity.

In their March market reviews most London brokers are still preaching investment caution, and advocating a degree of liquidity, but clients who have taken a cautious line these past two months have been on the losing end of the market.

The battle between the bulls and the bears in the market only moves very temporarily in the bears' favour. Any short-term setback in share prices seems only to attract new support and there is now a trend towards the higher yielding and to some extent unfashionable equities in the electric equipment and heavy engineering sections and away from recognized growth issues which have had a fair run in recent weeks.

### RATES AND PRICES

*Closing prices, Wednesday, March 1st, 1961*

**Tax Reserves Certificates** interest rate (26.11.60) 3%

#### Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

#### Treasury Bills

Dec. 23	£4 7s	1·45d%	Jan. 27	£4 3s	3·70d%
Dec. 30	£4 6s	11·78d%	Feb. 3	£4 3s	4·46d%
Jan. 6	£4 6s	10·38d%	Feb. 10	£4 6s	0·56d%
Jan. 13	£4 6s	1·51d%	Feb. 17	£4 7s	7·63d%
Jan. 20	£4 3s	8·22d%	Feb. 24	£4 7s	11·85d%

#### Money Rates

Day to day	3½-4½%	<b>Bank Bills</b>	
7 days	4½-4½%	2 months	4½-4½%
<b>Fine Trade Bills</b>		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

#### Foreign Exchanges

New York	2·79½-5	Frankfurt	11·65½-66
Montreal	2·76-1	Milan	1741½-3
Amsterdam	10·61½-3	Oslo	20·01½-8
Brussels	139·77½-3	Paris	13·69½-70½
Copenhagen	19·33½-4	Zürich	12·11½-4

#### Gilt-edged (revised List)

Consols 4%	63½	Funding 3% 59-69	82½
Consols 2½%	42½xd	Savings 3% 60-70	78½
Conversion 5½% 1974	94½	Savings 3% 65-75	71½
Conversion 5% 1971	92½	Savings 2½% 64-67	84½
Conversion 3½% 1969	84½	Trea'y 5½% 2008-12	90½
Conversion 3½%	55½xd	Treasury 5% 86-89	87½
Exchequer 5½% 1966	99½	Treasury 3½% 77-80	72½
Funding 5½% 82-84	95½	Treasury 3½% 79-81	70½
Funding 4% 60-90	89½	Treasury 2½%	40½
Funding 3½% 99-04	62	Victory 4%	95½
Funding 3% 66-68	83	War Loan 3½%	57½

# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Decimalization of Currency

SIR, — May I, a retired practitioner, be allowed to voice my profound misgivings on the question of the decimalization of the British currency and venture to suggest that there is not really such a widespread feeling that this is inevitable or that it should be done without delay.

I agree that the advantages are certainly widely known, but I cannot help feeling that they are entirely outweighed by the many disadvantages. Is it really worth while, principally for the benefit of the manufacturers of data processing and other monetary machines, to cause such an upheaval in the land in these hectic and difficult times? For a considerable period there would be absolute chaos.

There has been much comment in the Press lately and in one paper it was suggested that 33,000 members of the powerful [*sic*] 'Institute of Chartered Accountants' demanded the change (sounds like a trade union block vote!) but I have my doubts, especially with regard to the views of small and medium practitioners. I wonder if the members of the Council of the Institute, in submitting their memorandum on the subject of decimalization, appreciate and understand the difficulties of understaffed and overworked small practitioners at the present time. Among my friends, I know a number of those who are at their wits end and near to breaking point. As a matter of fact, I know of two who have had to give up owing to a complete break-down in health. The additional time that would be involved in decimalizing the balances on clients' books at a certain date and instructing clients on future procedure (in many cases without being able to get any additional remuneration) would, in my opinion, prove the last straw.

I am, of course, speaking purely from the point of view of the small practitioner (and I am thankful I am no longer one of these) but before the Government introduces the necessary legislation, I do think that there should be a referendum, in order to get the views of bankers, lawyers, traders (in the widest sense of the word) and last, but not least, individual practising accountants.

Yours faithfully,

J. KING-FARLOW, F.C.A.

*Kingston upon Thames.*

## Problem for Auditors?

SIR, — In *The Daily Telegraph* dated February 21st, 'Peterborough' reports that an appeal on behalf of a Member of Parliament who had lost about £8,000 in a High Court action recently had produced 'rather more than £6,000'. In particular, 'a sum of £284 10s was received in pound notes from seventeen conservative M.P.'s who wished to remain anonymous'. The total number of subscribers was put at several hundred.

These statements are interesting but what I find surprising is a statement that the appeal fund 'has been audited by a Birmingham firm of chartered accountants'.

I should be interested — as I am sure your readers would be — to learn how one proceeds to audit an appeal fund which includes money sent anonymously.

I hasten to add that I have no doubt whatever that the accounts presented 'a true and fair view' but I cannot help thinking that since any positive measures in an audit of this kind are bound to be inadequate, an attempt at auditing can hardly be justified.

Yours faithfully,

*Brighton.*

FREDK. A. J. COULDERY.

## Chartered and Incorporated Accountants

SIR, — I may be wrong — and I hope I am — but I fear that the grievances felt by incorporated accountant members of The Institute of Chartered Accountants in England and Wales by reason of our qualified membership are being forgotten for two reasons:

- (1) We form a small and dwindling proportion of total membership with diminishing vocal power.
- (2) Time is not on our side. Like aged parents we will disappear in time. (Let them put up with their suffering; death will release them in time.)

As the problem of our own existence to the Institute diminishes, our personal grievances are likely to increase. The qualification 'incorporated accountant' becomes more difficult to explain as it becomes less well known. Already advertisements for chartered *or* incorporated accountants have ceased to appear in the Press.

Within this aggrieved minority there is a smaller minority, including myself, who are denied full membership because we served articles overseas. That we may have served with a first-class firm that is a household word in the profession and may have served a substantial part of our articles in the London head office of such firm is apparently of no importance. We are considered less fully trained than the product of the tiniest up-country firm of accountants in the United Kingdom.

The greatest embarrassment that we suffer is how to answer the question 'Are you a chartered accountant?' without complicated explanations.

I am going to suggest on behalf of my incorporated

accountant colleagues a compromise solution which, as far as I know, has not been proposed before. Whereas it is tempting to divide the ranks once again, this time between members who have served articles overseas and local government trainees, I will set my face firmly against any further division that would not remove the kind of embarrassment that I have described.

There is a precedent in the practice prevailing among members of overseas institutes. They describe themselves as chartered accountants followed by distinguishing letters indicating to what institute they belong. Incidentally, they will accept into full membership an incorporated accountant who desires to settle in their country.

My proposal is that all members of our Institute be described as chartered accountants, subject to the obligation to use distinguishing letters on business correspondence, etc., e.g. A.C.A.(O.) for members who served articles overseas and A.C.A.(L.G.) for those who were trained in local government.

I do not claim that this is an ideal solution. I put it forward because it would resolve the worst of our grievances and at the same time, I hope, win some support from the majority of members.

I shall be grateful if you, Sir, will, by publishing this letter, put my proposal to the test of public opinion within the Institute.

Yours faithfully,

P. A. TOWSEY,

B.COM., A.S.A.A., A.A.C.C.A., A.C.I.S.

Ibadan, Nigeria.

### Hire-purchase Accounts

SIR, — 'T. F. W.' (December 31st, 1960, issue) asks for readers' comments upon the practice of charging hire-purchase interest by dividing the total hire-purchase charge by the number of month's instalments to be made and charging to the accounting period the number of months in that period. He rightly points out that this method bears little relation to the 'true interest position'.

A much closer approximation may be obtained by using the so-called '78 rule'. The significance of the figure 78 is that it is the sum of the arithmetical progression  $1+2+3+\dots+12$ . If there are twenty-four instalment periods the sum will be  $1+2+3+\dots+24=300$ . Taking 'T. F. W.'s example where the total interest is £240 spread over twenty-four

months,  $\frac{24}{300} \times £240$  will be charged to the first

month,  $\frac{23}{300} \times £240$  to the second month, and so on.

After six months' payments the interest charged would amount to £103 4s and after twelve months £177 12s. These figures appear to be a close enough approximation to 'T. F. W.'s' (£103 and £180 respectively).

I can see no accounting justification for writing off the total interest in the first accounting period involved.

Yours faithfully,

R. H. PARKER,

University of  
Adelaide.

Lecturer in Accounting,  
DEPARTMENT OF COMMERCE.

## Taxation Case

*A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.*

### Ralli Estates Ltd v. Eastern Africa Commissioner of Income Tax

In the Privy Council — January 30th, 1961

Before Lord TUCKER, Lord DENNING and Lord MORRIS OF BORTH-Y-GEST)

*Income tax — Capital or revenue expenditure — Grant of occupancy of sisal estate — Lump-sum payment — Payments up to specific total — Whether capital expenditure — East African Income Tax (Management)*

31st, 1950, a few days after its incorporation, the right to occupy two sisal estates for ninety-nine years from January 1st, 1951. In the negotiations leading up to the grant the Government of Tanganyika agreed to make the grant either (i) at a rent of 2s an acre per annum, or (ii) a premium of £311,000, and (iii) a royalty on all sisal fibre exported from the estates to a total of £174,600, but reducible in certain circumstances. Later the formal contract described the £174,600 as the balance of the purchase money.

The appellant claimed that the payments made towards the £174,600 were 'outgoings and expenses wholly and inclusively incurred . . . in the production, of income' within the meaning of Section 14 (i) of the East African Income Tax (Management) Act, 1952, and were deductible in calculating its income for tax purposes.

Held (affirming the judgment of the Court of Appeal for Eastern Africa): the £174,600 was a part of the purchase price paid for a capital asset, and was

# For Students

## COMPANY LAW

### The Bankrupt Contributory

**A** PETITION for the compulsory winding-up of a company may be presented to the appropriate Court

'either by the company itself or by any creditor or creditors (including any contingent or prospective creditor or creditors), a contributory or contributories, or by all or any of these parties, together or separately; provided that (a) a contributory shall not be entitled to present a winding-up petition unless . . . (ii) the shares in respect of which he is a contributory, or some of them, either were originally allotted to him or have been held by him, and registered in his name, for at least six months during the eighteen months before the commencement of the winding-up, or have devolved on him through the death of a former holder . . .'

These provisions, so far as material for present purposes, are contained in Section 224 of the Companies Act, 1948, and provide a comprehensive list of those entitled to present a petition for compulsory winding-up. If, however, a person is to qualify to do so on the ground that he is a contributory, then he must satisfy the definition of a 'contributory' contained in Section 213, namely, a

'person liable to contribute to the assets of a company in the event of it being wound up . . .'

Further, in order to ascertain who is liable to contribute to the assets of a company in the event of a winding-up, it is necessary to refer to Section 212, which provides that, subject to certain prescribed qualifications, every present and past member is so liable, the emphasis being laid for this purpose on membership of the company.

But what is the position as regards any contribution due from the estate of a deceased contributory or from one who has become bankrupt and whose estate is being administered by a trustee in bankruptcy? The first of these situations is dealt with by Section 215, which provides that

'If a contributory dies either before or after he has been placed on the list of contributories, his personal representatives . . . shall be liable in a due course of administration to contribute to the assets of the company in discharge of his liability and shall be contributories accordingly.'

Bearing in mind that a personal representative is given an express right to present a petition under Section 224 (1) (a) (ii), as shown above, the effect of Section 215, as a matter of construction, appears to operate only if and when a winding-up supervenes.

By contrast with this first situation which relates to personal representatives, the second situation concerning the trustee in bankruptcy must be considered in relation to Section 216, which provides:

'If a contributory becomes bankrupt, either before or after he has been placed on the list of contributories - (a) his trustee in bankruptcy shall represent him for all purposes of the winding-up, and shall be a contributory accordingly, and may be called on to admit to proof against the estate of the bankrupt, or otherwise to allow

to be paid out of his assets in due course of law, any money due from the bankrupt in respect of his liability to contribute to the assets of the company . . .'

The case of a trustee in bankruptcy as such, however, is not dealt with by Section 224 (1) (a) (ii), so that, unlike a personal representative, he is given no express right to present a petition for compulsory winding-up, and the phraseology common to Sections 215 and 216, set out above, namely,

'either before or after he has been placed on the list of contributories',

points to a period of time when a winding-up is in existence.

So, in *Re H. L. Bolton Engineering Co Ltd* ([1956] 1 All E.R. 799), on this analysis of the statutory provisions, it was decided that a trustee in bankruptcy is not entitled to present a petition for the compulsory winding-up of a company because the particular provision affecting him, namely, Section 216 of the Act, only begins to operate after a winding-up has begun.

It had been decided earlier, in *Morgan v. Gray* ([1953] 1 All E.R. 213), that a member of a company which is still a going concern, does not cease to be a member by reason only of his bankruptcy; and that, subject to the company's articles of association, he may exercise his rights to vote and tender a proxy at a meeting so long as his name remains on the register of members although he is bound to exercise his voting rights in accordance with the directions of his trustee in bankruptcy as the person beneficially entitled. Apart from the trustee becoming registered in place of the bankrupt, where the company of which the latter is a member goes into liquidation, the name of the bankrupt may appear on the list of contributories; but he is treated as a stranger to the company and is superseded by his trustee in bankruptcy for the purposes of the administrative provisions of the Companies Act which are applicable to the liquidation (*Re Cape Breton Co* ((1881), 19 Ch.D. 77).

## FINANCIAL ACCOUNTING

### Definition of Terms

'Definition' questions often appear in examinations. Students would be well advised to learn the more frequent ones occurring and we shall therefore include a selection in our notes 'For Students' from time to time, the first of the series appearing below:

**Capital reserve.** A reserve which must not include any amount regarded as free for distribution through the profit and loss account.

**Provision.** Any amount written off or retained by way of providing for depreciation, renewals or diminution in value of the assets or retained by way of providing for any known liability, the amount of which cannot be determined with substantial accuracy.

**Revenue reserve.** Any reserve other than a capital reserve.

**Cheque.** A bill of exchange drawn on a banker payable on demand.

**A holder for value.** A holder of a bill, the circumstances of whose holding do not satisfy in all respects the definition of a 'holder in due course'. A 'holder in due course' holds the bill free from any defect in the title of prior parties and may enforce payment against all parties liable on the bill except in the event of a forgery.

## TAXATION

Estate Duty on Gifts *Inter Vivos*

**G**IFTS *inter vivos* are unconditional and irrevocable transfers of real or personal property made during the lifetime of the donor, all requisites to complete the title of the donee having been accomplished. As property 'deemed to pass', these are liable to estate duty on the death of the donor, if made within five years of that date, or one year in the case of gifts for charitable or public purposes, *unless*:

- (a) made in consideration of a marriage which is duly solemnized; or
- (b) proved to the satisfaction of the Commissioners to have been part of the normal (habitual) expenditure (out of income) of the deceased and to have been reasonable having regard to his income or the circumstances; or
- (c) the total value given to any one donee does not exceed £500 (£100 if the gift included an interest in settled property); or
- (d) given to the National Debt Commissioners to be applied in reduction of the National Debt or in trust to accumulate for that purpose; or
- (e) the gift is land (or interest therein) given to the National Trust, the Commissioners of Works, or a local authority under the Ancient Monuments Consolidation and Amendments Act, 1913. In this case, the Treasury have the option whether or not to exempt the property from duty.

Prior to the passing of the Finance Act, 1957, the donee of a gift *inter vivos* was liable to estate duty on the value of the subject-matter at the date of the donor's death, unless it was no longer in existence, when it could not be valued and consequently no duty was payable. However, where the donor's death occurred on or after July 31st, 1957, and the donee had parted with the subject-matter of the gift prior to the donor's death, the donee is liable to estate duty on:

- (a) the consideration received by reason of the sale, exchange or other disposition;
- (b) the sum received in satisfaction of the redemption of a debt or security comprising the gift;
- (c) the value of any property acquired where the gift consisted of the right to acquire such property;
- (d) the value at the date of the donor's death of the subject-matter of any gift parted with for less than its full value.

In addition, the Finance Act, 1957, provides that:

- (a) where the gift consists of shares in a company and the donee has received bonus shares or rights to acquire shares in that company, he shall be liable to estate duty on the bonus shares or shares acquired in accordance with the rights less any consideration paid therefor by him;
- (b) where the aggregate amount of gifts to any one person is in excess of £500, the estate duty payable thereon shall not exceed the amount by which the gifts exceed £500;
- (c) where the gift consists of settled property, estate duty will be chargeable upon the value at the donor's death of the property representing or derived from the original gift, accumulations of income being ignored. In the event of the settlement coming to an end prior to the donor's

death, estate duty will be chargeable on the property comprised in the settlement at that date;

- (d) where the donee predeceases the donor, the above provisions are to be applied as if the donee had survived and as if the act of his personal representative were his acts.

Under Section 30, Finance Act, 1958, quick succession relief is extended to *any* property that becomes chargeable to estate duty twice within a period of five years after April 15th, 1958, which includes gifts *inter vivos*. However, where the donor dies before the donee and estate duty has been paid on the earlier death, the relief allowable on the later death will be restricted to the value on the earlier death less death duties payable on that death.

Life assurance policies assigned by the assured during his lifetime are treated in the case of an assignor dying on or after April 7th, 1959, for estate duty purposes in the same way as other gifts, estate duty being payable on the benefit derived by the assignee within five years prior to the date of death. For this purpose, the benefit derived by the assignee may fall into two categories: (a) the value of the policy assigned within five years of death and (b) the value of the premiums paid by the assignor subsequent to assignment and within five years of death. The value of the policy assigned for estate duty purposes is arrived at thus:

$$\frac{\text{Total premiums paid to date of assignment}}{\text{Total premiums paid to date of maturity}} \times \frac{\text{Value of policy at maturity or on sale}}$$

Similarly, the value of the premiums paid by the assignor is arrived at thus:

$$\frac{\text{Total premiums paid since assignment}}{\text{Total premiums paid to date of maturity}} \times \frac{\text{Value of policy at maturity or on sale}}$$

Consequently, if the assignment was more than five years prior to the death of the assignor, no estate duty would be chargeable on the value of the policy transferred at the date of the assignment. Furthermore, if no premiums were paid by the assignor subsequent to the assignment no estate duty would be chargeable on the value attributable thereto.

In conclusion, the Finance Act, 1960, has graduated the charge to estate duty on gifts *inter vivos* in respect of deaths occurring after April 4th, 1960, by reducing the value of the property chargeable as follows:

Where death occurs within the:

third year after the gift –	by 15 per cent.
fourth " " " "	30 per cent.
fifth " " " "	60 per cent.

This reduction in value is not to be taken into consideration in determining whether the gifts to any one donee are exempt from estate duty on the grounds that the total is not in excess of £500. Furthermore, the reduced value is not to be taken into account in determining the restriction in estate duty payable, to the extent of the amount by which the gift exceeds £500. For example, if a gift of £600 were made in the fifth year prior to death, for estate duty purposes it would be treated as a gift of £240, but it would not on this account be exempt from duty as being a gift of not more than £500 in value and the maximum amount of the duty payable on the gift would be the excess of the original value of the gift over £500, viz. £100.

# In Parliament

## Decimal Currency

Mr J. WELLS asked the Chancellor of the Exchequer if he can yet state the results of the investigations he has made into the desirability of introducing a decimal currency.

Mr PROUDFOOT asked the Chancellor of the Exchequer if he has yet completed his consideration of whether to introduce decimal currency in the United Kingdom; and if he will make a statement.

Mr J. H. OSBORN asked the Chancellor of the Exchequer whether he has considered the report on decimal coinage by the British Association for the Advancement of Science and the Associated British Chambers of Commerce, a copy of which has been sent to him by the hon. Member for Sheffield, Hallam; and whether, with a view to assessing the advantages of changing to a decimal coinage system in the United Kingdom, he will approach the South African Government for permission to send observers to that country to study methods of overcoming transitional difficulties.

Mr SELWYN LLOYD: I would refer my hon. friends to the reply given on February 16th, to a question by my hon. friend the Member for Taunton (Mr du Cann).<sup>1</sup> The report by the British Association for the Advancement of Science and the Associated British Chambers of Commerce was not a report to Her Majesty's Government. We are, however, giving its findings close consideration. We shall also take any steps to keep informed of developments in South Africa.

Mr WELLS: Has my right hon. and learned friend had his attention drawn to an early day motion signed by seventy-eight hon. Members expressing the opinion that this is a practical business step?

*[That this House calls attention to the need for decimal coinage, recognizes the increasing and once-for-all cost of the change, notes the number of Commonwealth countries which have changed, or are changing, believes it to be a practical business decision, and urges Her Majesty's Government to introduce a decimal system of coinage at an early date.]*

Mr LLOYD: There are complications about it. If we take the £ as a unit and divide it into ten and one hundred, the lowest coin unit is 2½d which is rather large. If we divide it by ten, then by one hundred and 1,000, we get a very small one. If we do not take the £ as the basic starting-point, there are very great complications in other directions.

Mr PROUDFOOT: Does my right hon. and learned friend realize that the cost of this inevitable step will be greater every day?

Mr LLOYD: I do not dispute that, but I was pointing out the complications.

Mr LIPTON: Why not make the 10s note into a £1 note, and then the problem of the decimal system will be solved?

Mr CLARK HUTCHISON: Is my right hon. and learned friend aware that the present currency system is entirely satisfactory and that no change whatsoever is required?

Mr LLOYD: I have noted what my hon. friend has said.

*Hansard, Feb. 21st, 1961. Oral Answers. Col. 292.*

Mr PROUDFOOT asked the President of the Board of Trade what estimate he has made as to how much decimal coinage would help the export trade.

Mr ERROLL: The Government are carefully considering the question of decimal currency, as my hon. friend the Economic Secretary explained in answer to the hon. Member for Taunton (Mr du Cann)<sup>2</sup> last Thursday. The possible advantages to our export trade is one of the matters which we will take into account.

Mr PROUDFOOT: Is my right hon. friend aware that Commonwealth countries are changing to decimal coinage and that soon we will be the only country left in the Commonwealth without decimal coinage?

Mr ERROLL: We are aware of that change. We are also aware of the advantages of the duodecimal system.

*Hansard, Feb. 21st, 1961. Oral Answers. Col. 305.*

Mr PROUDFOOT asked the Minister of Education what estimate he has made of the reduction in the time needed to teach mathematics which would follow from the adoption of decimal currency in the United Kingdom, now being considered by Her Majesty's Government.

Sir D. ECCLES: The available evidence suggests that decimal money sums may well be quicker to teach than sums using our present currency but I can give no useful estimate of how much quicker.

Mr PROUDFOOT: Is my right hon. friend aware of the report of the British Chambers of Commerce and the Association for the Advancement of Science which suggests that a saving of time of between 10 and 20 per cent in the age group between 7 and 11 years would be achieved? Would not this help him in regard to the size of classes and the shortage of teachers?

Sir D. ECCLES: My hon. friend is on a very good point. As a matter of fact, the evidence differs and the Australian Government were unable to make any estimate. I cannot help thinking that it would be easier to work in decimal figures.

*Hansard, Feb. 23rd, 1961. Oral Answers. Col. 778.*

## Taxation

Mr H. WILSON: While the Chancellor cannot anticipate his Budget statement, whatever the President of the Board of Trade may do, is he aware that, while we disassociate ourselves from the latter part of the Question on the Order Paper, there is a case to consider the corporation profits tax and income tax, so that any future Chancellor making remissions of personal taxation does not automatically give a big hand-out to big business in consequence?

Mr LLOYD: I will certainly bear in mind what the right hon. gentleman has said.

*Hansard, Feb. 14th, 1961. Oral Answers. Col. 1234.*

## Farmers: Drainage Rates

Mr HILTON asked the Chancellor of the Exchequer, in view of the hardship caused to farmers in drainage areas by a reassessment for Schedule A, and consequently for drainage rates, of their land solely because of an alteration to their buildings, if he will in future reassess only the buildings in such cases.

<sup>1</sup> See *The Accountant*, February 25th, page 242.

<sup>2</sup> See *The Accountant*, February 25th, page 242.



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## Cash Bid or Share Offer?

**N**OW that the dust of battle has finally settled after the successful Daily Mirror bid for control of Odhams Press, one interesting by-product of the take-over remains unresolved. It is the suggestion that a minimum proportion of the consideration offered in a take-over bid should be in cash—a suggestion that was promptly passed on for examination by the Jenkins Committee on Company Law. However, the more one delves into this idea, the less there is to be said in its favour.

To begin with, the distinction between take-overs and mergers has always been rather nebulous, to say the least. Some take-over bids appear to possess all the characteristics of a merger, while many so-called mergers bear all the hall-marks of an uninvited take-over bid. It is not quite enough to say that the prior approval of both boards of directors to an offer signifies a merger and that an expression of disapproval by the threatened board necessarily implies a take-over. Approval may simply indicate that the directors are resigned to their fate, whereas disapproval may indicate little more than dissatisfaction with the terms of the offer. In many respects, therefore, the terms 'merger' and 'take-over' are interchangeable although business and financial circles seem intent upon drawing a distinction between them that is more apparent than real. Both, however, are terms of art without any precise legal definition. In the long run, the shotgun marriage caused by a take-over bid is just as much an amalgamation of interests as the merger which represents the culmination of friendly negotiations conducted over a lengthy period of time.

Secondly, stamp duty relief under Section 55 (1) (c), Finance Act, 1927, is forfeited where more than 10 per cent of the consideration for the acquisition consists of cash. Although this stipulation may not deter a few large companies, with ample liquid resources awaiting investment, from making an attractive cash-cum-share offer, the majority of large companies are only too ready to tailor their terms so as to attract the maximum saving in stamp duty. At the other end of the scale, many smaller bids, say up to £0.5 million or so, are frequently made wholly in cash because the extra stamp duty payable is not such an imposition at this level. Moreover, all foreign bids must be wholly in cash in accordance with a Treasury ruling on the subject. Apart from these few exceptions, however, most large bids are made either by way of a complete exchange of shares or a judicious mixture of shares and cash arranged so as to avoid payment of stamp duty.

Thirdly, it is true that a cash offer is a matter of absolute value whereas a share offer is one of relative values. Nevertheless, it is



important to remember that a share exchange represents money's worth, and can be converted into cash on the stock exchange if the recipient so wishes. In fact, the market price of the shares of a company placed in jeopardy following the announcement of a bid, often falls as the result of considerable selling by disaffected shareholders who prefer to take cash through the market instead of the bidding company's scrip. In general, however, it can be said that a cheque has no special cachet of its own which puts it on a higher footing than the share certificate of a reputable company.

The only justification for insistence upon a cash element within the bid, is where there is a definite lack of confidence in the market price of the shares offered in exchange. Yet in those circumstances only a *full* cash bid would really suffice since a share plus cash offer would still be subject to the same reservations as a complete share exchange.

Fourthly, it is never easy to judge whether the price offered in a take-over bid is too low or too high. An offer may be described as 'fair and reasonable' by one set of advisers, only to be bettered by a counter-bid from some other company whose advisers also recommend it for acceptance on the grounds that the proposed terms are in the shareholders' best interests. In such circumstances, the high bidder may well find himself purchasing earnings at a lower yield (and hence a higher price) than that which investors place on their own company's earnings. This paradoxical situation can usually be spotted by relating the latest equity earnings of the bidder's 'victim' to the imputed bid price so as to give a 'purchased earnings yield'. One frequently comes across the situation where the bid-for company shows a purchased earnings yield of no more than 5 or 6 per cent, whereas the bidding company's shares are on a 10 per cent earnings yield basis. The whole point of a bid is that profits ought to improve as the result of internal economies. If they do not, there is the danger that the equity of the bidding company will be diluted. A bidding company, therefore, will often include a cash element in its offer merely to avoid the possibility of a fall in the combined equity earnings as related to the market value of the enlarged share capital. In many cases the cash element is 'introduced' primarily because it is needed to bolster

the bidder's earnings position. The bidding company should be left free to decide upon the best possible blending of cash and shares, bearing in mind the interests of their own shareholders.

Fifthly, insistence upon a specific proportion of cash might well cause some inconvenience to companies with little or no surplus cash or other readily realizable securities among its assets, but that would still not be sufficient to defeat a proposed take-over, because the company concerned would most likely borrow temporarily from their bankers – just as some companies have done in the past – with the intention of funding the debt or otherwise refinancing at a later and more convenient moment.

On these grounds, the 'cash replete' company would be favoured as compared with its more enterprising competitors who have ploughed their profits back into business assets as distinct from merely accumulating cash. It might also encourage companies to retain a larger proportion of distributable profits than is strictly justified by their future capital commitments or expansion plans.

Either way, there is the risk, implicit in a manoeuvre of this kind, that the acquired company would be quickly stripped of its liquid resources in order to help repay short-term indebtedness incurred in making good the purchase price in the first place. Not long ago, legislation was introduced with the sole object of coming to grips with dividend stripping. Would not cash stripping be just as objectionable?

Finally, one other suggestion which has been mooted is that a set proportion of any bid should be valorized. This is to say, a stated proportion of a share offer would have to be underwritten so as to give shareholders the right to take cash if they wanted to. Strictly speaking, this is a cash option rather than a cash bid, and is very similar in substance to the cash option that is written into the terms of a bid from time to time. One advantage claimed for the suggestion is that it would subject every share offer not only to the normal market tests, but also to the detailed examination of institutional investors. Furthermore, a potential bidder would not be penalized just because its resources were fully employed in

the business. Even so, this seems to be a half-hearted solution because most bids these days have to run the gauntlet of prior scrutiny and approval by independent financial advisers. A possible exception could be made, perhaps, for those cases where the *number* of shares involved in the offer is likely to over-tax the market's absorptive capacity.

The flexibility of terms at present open to a bidding company is a valuable feature of take-over tactics, and should not be lightly cast aside for the sake of stopping a few marginal operations. The

freedom to purchase a going concern in exchange for an issue of ordinary shares, whether or not the offer is accompanied by a partial cash payment, seems entirely reasonable and can safely be left to the discretion of the bidding firm. The market plays its part, too, by making the necessary price adjustments where the terms appear to favour one side or the other. From all points of view, insistence upon a stated proportion of cash seems an unwarranted and unnecessary interference with a company's right to deploy its resources to the best advantage.

## Small Coals to Newcastle

### COMPLEX TREATMENT OF GRADUATED CONTRIBUTIONS

by WILLIAM PHILLIPS

*Author of Pension Scheme Precedents*

**I** MUST tell you about our local grocer – a very rum cove. He buys his butter by the tub and insists upon selling it in binary tub fractions – one, or so many, thirty-secondths of a tub. Owing to the shortage of wood the tubs get smaller and smaller every five months or so. The grocer then, very fairly, adjusts the price per thirty-secondth to any amount he chooses(!), subject only to the self-imposed restriction that it must maintain the same proportion to the last previous price as the proportion which the contents of the new tub bear to the old.

It has been pointed out to him that this keeps the price of butter per pound absolutely constant (we customers being an ignorant lot of blighters, unconscious of the fact that there are no degrees of constancy). Indeed, the grocer having given us many months advance notice of his intention to adopt this peculiar price plan, and having then invited us to express our opinions upon it, the resulting constancy in the price per pound was pointed out to him long before the new plan was put into force . . . but in vain. I wonder where he gets these fantastic ideas? Surely a busy man like our grocer doesn't have time to read Acts of Parliament?

If not, it seems somewhat remarkable that he has hit on the very process by which the graduated retirement benefits of Section 4 of the National Insurance Act, 1959, are to be calculated.

These benefits (to the nearest sixpence a week pension) are to retain a constant relationship with the remuneration between £9 and £15 a week on which the graduated contributions of Sections 1 and 2 are to be calculated, but the benefits themselves are not to be so calculated. Nothing so simple! From April 1961 to April 1965, the additional pension is to be sixpence a week for every £7 10s of graduated contributions of a man, or every £9 of a woman – an odd amount of £3 15s or £4 10s or more to count for an extra 6d, and an odd amount of less not to count at all.

#### Calculation of Graduated Retirement Benefits

From April 1965 to April 1970 these 'units' (as the Act calls them) of £7 10s and £9 respectively, are (by Section 4 (3) (b)) to be increased to 'such amounts as *may be* specified . . . by order of the Minister'. (My italics, but I suspect that as so often happens in Acts of Parliament for 'may be' we are intended to read 'are'). So far then, like our grocer, the Minister has an entirely free hand – but (again as with our grocer's self-imposed rule) the Minister is, in fact, not unfettered in his specification, for the Act goes on to say that the amounts he *may* specify shall be

'amounts which maintain the same proportions as under the foregoing paragraph between the per-

centage used in calculating the contributions and the amount of the unit'.

Isn't that a delightful way of saying that the price of butter per pound is to remain constant?

Well, not quite constant, for the Minister is required to make this percentage increase 'except for adjusting the amount to the nearest shilling above, or to the nearest shilling below, the proportionate amount'. This does in fact, if we make the mistake of reading the Act literally, give the Minister some choice, for if Parliament had meant 'the nearest shilling' the Act would presumably have said so.

We do not know what will be the percentage used in calculating contributions after April 1965; it is to rise from  $4\frac{1}{4}$  per cent of remuneration between £9 and £15 a week to  $4\frac{1}{2}$  per cent thereof or any less percentage which the Minister, with the consent of the Treasury, directs. For our present purpose we can only assume that the Minister will make no direction, noting that the principle of what follows is not affected by the actual percentages directed. In short, we will assume that  $4\frac{1}{2}$  per cent is the rate for contributions from 1965 to 1970,  $4\frac{3}{4}$  per cent the rate from 1970 to 1975, 5 per cent the rate from 1975 to 1980, and  $5\frac{1}{4}$  per cent the rate from 1980 onwards. The 'units' of graduated contributions for each 6d a week pension will then, on the assumption that the words in the Act about nearest shillings are eventually amended, be as follows:

			Men	Women
			£ s	£ s
1961-65	..	..	7 10	9 0
1965-70	..	..	7 19	9 11
1970-75	..	..	8 8	10 1
1975-80	..	..	8 16	10 12
1980 onward	..	..	9 5	11 2

### Parkinson's Law

Now see how Parkinson's Law will fill a large part of Newcastle<sup>1</sup> and its environs. By April 1965, all but a very small proportion of employees not contracted out will have some fraction of £7 10s or £9 to carry forward into the 1965-70 quinquennium. Section 4 (4) deals with this:

'Where a person's contributions calculated at any of the said rates do not make an exact number of units, then - (a) the incomplete fraction of a unit and any similar fraction resulting from his contributions calculated at any of the other rates shall be added together to produce (so far as they go) a further unit or units.'

Even our ingenious grocer has not succeeded in getting involved in *that* delightfully complicated piece of arithmetic.

### Employees Paid £9 a Week or Less

All this deliberate complicating of what, on a computation related to remuneration would have been so simple, is bad enough in the case of those millions of employees who will pay (and whose employer will duplicate) graduated contributions week after week. It is child's play to the situation which will arise with those employees, again to be counted in millions, who fifty or fifty-one weeks in the year are paid less than £9 a week, but for whom graduated contributions will be required once or twice a year because of extra holiday pay or a Christmas present, or an annual bonus or payment under a profit-sharing scheme.

A once yearly graduated contribution may during the first four years of the Act's operation be as much as 5s 1d, but it might be a less amount down to as little as 1d. By 1965, as a result of a mass of book-keeping, Newcastle will have recorded credits for each of these people ranging from £1 0s 4d to 4d. I say nothing of the work this triviality will impose on the employers and their auditors, for it is recognized by Parliament that burdens of this kind imposed on the public are irrelevant. I am thinking only of the cost to the taxpayer of the carrying of this very small coal to Newcastle.

The Act does not say that the £1 0s 4d or 4d, as the case may be shall be carried forward towards building up a unit in 1965-70, and of course again after 1970, and so on. Nothing so complicated would be complicated enough. The Act says distinctly that it is *a fraction of a unit* which is to be carried forward. What fraction of £7 10s and £9 is 5s 1d? If we are to take the Act literally the former is 61/1800 and the latter is 61/2160. This will continue for four years, and then for the next five the fractions will be slightly different, owing to the rounding off of the unit to the nearest shilling and increasing 5s 1d approximately in the ratio of  $4\frac{1}{4}$  to  $4\frac{1}{2}$ ; they will in fact be 65/1908 and 65/2292, respectively. Then, from 1970 to 1975 there will be another set of fractions, and so on quinquennially. What a pity the Act specifies fractions, and not decimal fractions, which would be so much more easily added together.

For our present purposes it will suffice to assume that every year one maximum weekly graduated contribution will entitle a man to

<sup>1</sup> Home of the Ministry of Pensions and National Insurance.

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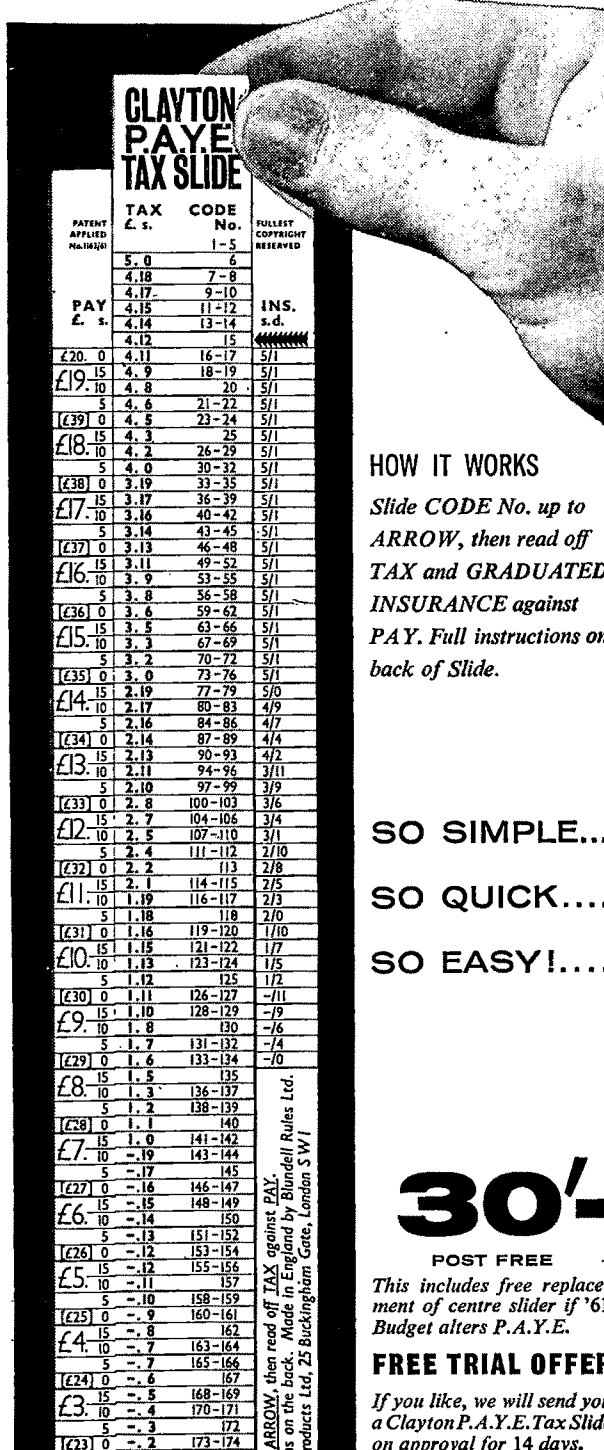
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0	4. 9	16-17	5/1
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5	4. 6	20	5/1
0	4. 5	21-22	5/1
£17. 10	4. 3	23-24	5/1
5	4. 2	25	5/1
0	4. 1	26-29	5/1
£16. 10	3. 10	30-32	5/1
5	3. 9	33-35	5/1
0	3. 8	36-39	5/1
£15. 10	3. 7	40-42	5/1
5	3. 6	43-45	5/1
0	3. 5	46-48	5/1
£14. 10	3. 4	49-52	5/1
5	3. 3	53-55	5/1
0	3. 2	56-58	5/1
£13. 10	3. 1	59-62	5/1
5	3. 0	63-66	5/1
0	2. 11	67-69	5/1
£12. 10	2. 10	70-72	5/1
5	2. 9	73-75	5/1
0	2. 8	77-79	5/1
£11. 10	2. 7	80-83	4/9
5	2. 6	84-86	4/7
0	2. 5	87-89	4/4
£10. 10	2. 4	90-93	4/2
5	2. 3	94-96	3/11
0	2. 2	97-99	3/9
£9. 10	2. 1	100-103	3/6
5	2. 0	104-106	3/4
0	1. 11	107-110	3/1
£8. 10	1. 10	111-112	2/10
5	1. 9	113	2/8
0	1. 8	114-115	2/5
£7. 10	1. 7	116-117	2/3
5	1. 6	118-119	2/0
0	1. 5	120-122	1/10
£6. 10	1. 4	123-124	1/7
5	1. 3	125	1/5
0	1. 2	126-127	1/2
£5. 10	1. 1	128-129	-1/1
5	1. 0	130	-1/0
0	0. 11	131-132	-1/4
£4. 10	0. 10	133-134	-1/0
5	0. 9	135	
0	0. 8	136-137	
£3. 10	0. 7	138-139	
5	0. 6	140	
0	0. 5	141-142	
£2. 10	0. 4	143-144	
5	0. 3	145	
0	0. 2	146-147	
£1. 10	0. 1	148-149	
5	0. 0	150	
0	0. 0	151-152	
£0. 10	0. 0	153-154	
5	0. 0	155-156	
0	0. 0	157	
£0. 0	0. 0	158-159	
5	0. 0	160-161	
0	0. 0	162	
£0. 0	0. 0	163-164	
5	0. 0	165-166	
0	0. 0	167	
£0. 0	0. 0	168-169	
5	0. 0	170-171	
0	0. 0	172	
£0. 0	0. 0	173-174	

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·03389 of a unit and a woman to ·02824 of a unit. Thus, after fifteen years, the man will have accumulated half a unit, and will be credited with additional pension of 6d a week. After *another thirty* years he will have accumulated  $1\frac{1}{2}$  units and will be credited with additional pension of 1s a week. Forty-four years in all will not suffice; this nearly half a century of book-keeping, and the forty-four years' contributions he will have made, and the forty-four years' contributions his employer will have made, will not entitle a man, aged 21, on April 6th next, to anything more at 65 than a 6d a week pension; while the man aged 51 on April 6th will never receive anything whatever in respect of his fourteen, and his employer's fourteen, contributions.

### Contributions without Benefits

The corresponding figures for a woman are eighteen years to earn 6d a week at age 60, and though she pays one graduated contribution from age 18 to age 60, forty-two years is not sufficient for her ever to earn 1s a week. The position is so much worse for a once yearly contribution, whether by a man or a woman, which is appreciably less than that applicable to a week in which the remuneration equals or exceeds £15 that one shudders at the thought of quoting any figures, and refrains from saying more than that a man aged 21 earning and continuing to earn £8 a week and getting a Christmas present of £3 every year will get no additional pension whatever for his (and his employer's) forty-four graduated contributions.

All the filling in of forms one week every year, and the remitting of joint contributions varying between 2d and 10s 2d, would have been avoided had Parliament adopted for the assessment of graduated contributions that annual basis which applies to the final P.A.Y.E. and to other income tax and all surtax computations, and contributions payable by employees under occupational pension schemes. That they should do so was advocated in *The Accountant* as long ago as February 7th, 1959, using tables similar to, but less complicated than, P.A.Y.E. tables based on cumulative earnings during the fiscal year, automatically adjusted to annual earnings in the last week of that year.

And so one makes one last impassioned appeal to Parliament to rush through a short amending Act between now and April to replace the week (or month) by the fiscal year, as the time against which remuneration be assessed for graduated contributions, and remove this fantasy before it

becomes a national joke – for everyone except the taxpayer.

### Trust Funds

There is, in fact, one small advantage in all this for the taxpayer, arising from an escape procedure. Regulation 10 (3) of S.I. 1960, No. 921, prescribes that there shall be excluded from the computation of remuneration on which graduated contributions are to be paid

'a payment made . . . by trustees, where . . . the amount so paid is or may be dependent upon the exercise by the trustees of a discretion or the performance by them of a duty arising under the trust, and where not more than two payments under the trust are ordinarily made by the trustees to any one person in any income tax year'.

Thus we may expect that a flood of trust deeds will be executed before the summer holidays begin, or at any rate before Christmas, with a discretion to the trustees as to the amount of the holiday pay and the amount of the Christmas bonus which, by some curious chance, may happen to be very much the same as has hitherto been customarily paid! Each of these trust deeds will need to be stamped 10s, and each of them will subtract from the *quantum* of record-keeping and fraction-accumulating at Newcastle, and both of these incidentals will profit the general body of taxpayers. If there are to be more than two extraordinary payments to employees in each fiscal year there will, of course, have to be two trust deeds and two separate trusts.

### Same Pay, Different Treatment

This would solve the problem of the occasional payment to employees ordinarily remunerated at £9 a week or less, but what a farce it would be, what a waste of time and money, all of which and much more, can be avoided by a simple amendment from weekly, or monthly, to annual assessmentism. Much more, indeed, for it is not only for the £9 or less a week employee that annual assessmentism is required. A man who is paid £12 a week salary and averages £13 a month bonus, gets the same £780 a year as the man who is paid £15 a week. Yet under the Act, as it at present stands, the former will pay considerably less in graduated contributions than will the latter, and will eventually get considerably less additional pension. We have been speaking of weekly *or* monthly assessing; did you know that an employer may have to calculate contributions on a weekly basis in respect of salary or wages, and on a monthly basis in respect of bonus, for the same employees?

# Property Development Accounts

## A Review of Problems Encountered in Preparing Final Accounts

by S. N. GORDON, A.C.A.

SINCE the end of the Second World War, the building of dwelling-houses for private individuals has increased to an almost phenomenal extent; consequently the private house building industry has, as a whole, experienced a period of unprecedented prosperity. This growth of the industry has resulted in the rapid development of many firms which, in its turn, has generally intensified the complications and difficulties which arise in the preparation of the final financial accounts. The problems may be classified under four headings:

- (1) Undeveloped land.
- (2) Work in progress.
- (3) Guarantees against defects.
- (4) Miscellaneous problems.

The very nature of private house building, with its many diverse processes and stages in development, presents a complex basis for the preparation of the final accounts. Indeed, it is obvious that in practice there are many difficulties which are peculiar to each business, and which must be solved after careful consideration of the particular circumstances. For the purposes of this article, therefore, certain basic assumptions have been made, each problem tackled relating only to businesses to which the basic assumptions may fairly be held to apply.

It is assumed that the business to which the problems relate is a property development business carried on by a company incorporated under one of the Companies Acts; that houses are only built for private individuals; that houses are built in considerable numbers according to certain specified types; and that no houses are built to individual specification.

### Undeveloped Land

Any land held by the company at the end of the financial year which has not been developed or sold to a purchaser prior to development, must be valued on the usual basis for current assets – at the lower of the cost or net realizable value. It will be found in the vast majority of cases that, with the rapidly rising cost of building land today, the cost price is the relevant figure. There will, however, be exceptions where for some

reason it is obvious that the net realizable value is below the cost price; for example, where land has been bought upon which planning permission has been unexpectedly refused, following an inquiry by an inspector of the Ministry of Housing and Local Government. In such a case, the land will usually fall to be valued on an agricultural basis.

The ease of calculation of the value of the undeveloped land will depend upon the type of building on each site. Where one or more standard houses, occupying approximately the same area of land – inclusive of gardens – are systematically constructed, then the problems should be few. Where, however, different types of houses are built on varying areas of land, then the calculation is necessarily more involved.

The following are two examples of the first type of calculation, where every house on the particular site is built on approximately the same area of land:

#### EXAMPLE I

*At the end of the first year:*

- (a) Ascertain the total cost of the land – i.e. purchase price paid, plus legal fees, surveyors' fees, etc., which directly attach to the purchase.
- (b) Consult surveyors' and architects' site plans for the estimated number of plots on the site.
- (c) Refer to the sales analysis for the number of plots sold on that site during the year.
- (d) Calculate the value of the undeveloped land by taking that proportion of the total cost, that the number of plots unsold bears to the total number of plots.

			£	£
Cost of land .. .. .	8,000			
Legal costs .. .. .	150			
			£8,150	

Estimated number of plots .. ..	74
Plots sold during the year .. ..	30
Plots undeveloped at year-end .. ..	44

Therefore the value of the undeveloped land at cost price is:

$$\frac{44}{74} \times £8,150 = \underline{\underline{£4,886}}$$



**EXAMPLE 2***At the end of each subsequent year*

Here complications may arise in that the total number of plots planned in the first year is varied. Reference must be made at the end of each year, to the revised surveyors' plans at the relevant date, in order that confirmation may be made, or alteration effected, of the total number of plots. If this is not done there may be some confusion in the final year of development, when it may be found that more, or less, plots of land have been sold than the number in the records. (Plots are 'gained' or 'lost' in many ways; for example, it may be found that the route of a foul sewer must be altered, and this may necessitate the changing of the position of some houses, as these may not be built over a foul sewer.)

Total cost (as in (1) above) .. ..	<u>£8,150</u>
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Estimated number of plots on the site (Revised figure at the end of the second year.)	<u>76</u>
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Plots undeveloped at the beginning of the year .. ..	44
Plots sold during the year .. ..	<u>24</u>

	20
Plots undeveloped at the end of the second year .. ..	<u>22</u>

Difference	<u>2</u>
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Therefore, the value of the undeveloped land, at

cost is:  $\frac{22}{76} \times £8,150 = \underline{\underline{£2,359.}}$

Where, however, different houses of varied types are built on one site, each house requiring a different area of land, calculations on the following lines will be necessary:

**EXAMPLE 3***At the end of the first year:*

- Ascertain the total purchase price;
- Consult plans and purchase contracts for the total area of land;
- Obtain the total area of the plots sold during the year (the plots sold should all be marked accordingly on the plans, and these should be checked from the sales analysis);
- Calculate the value of the undeveloped land by taking that proportion of the total cost, that the area of the land undeveloped bears to the total area of land.

Cost of land (including legal costs, etc.) .. ..	<u>£10,200</u>
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Total acreage .. ..	20
Acreage of plots sold .. ..	<u>12.5</u>
Acreage of plots undeveloped .. ..	<u>7.5</u>

Therefore the value of the undeveloped land

at cost price is:  $\frac{7.5}{20} \times £10,200 = \underline{\underline{£3,825.}}$

At the end of each subsequent year, the calculation will be on the same basis as for the first year.

Additional complications arise in the following instances:

- Where part of the land on a site is inferior to the remainder of the land on the site. This will be the case, for example, where a pit has to be filled in or where part of the land is on a steep hillside. In such cases, the land should be divided into sections for the purposes of valuation, ensuring that all the land in each section is of approximately equal value. Each section is then treated for valuation as a distinct site, the total cost of the land on the site being apportioned between the sections on the most equitable basis.
- Where some roads or services already exist on the purchased land. In this case, the value of the roads and services should be found and the relevant figure transferred from the land account to a revenue account relating to the building of the houses. At the end of each year, the proportion of the transferred sum, that the number of houses uncompleted or unsold on that land bears to the total number of houses on the land, is included in work in progress.

**Work in Progress**

The usual basis of valuation of work in progress is the total of the direct wages, materials and expenses; overheads being ignored. It is obvious that in the building industry a conservative method must be followed and, provided that it is applied consistently from year to year, it is justifiable to use the method in which overheads are excluded, especially since this does not appear to conflict with the judgment of the Court of Appeal in the case of *Ostime v. Duple Motor Bodies Ltd.* (It should, however, be noted that leave has been granted to the Inland Revenue to appeal to the House of Lords. The leave to appeal has been granted subject to certain conditions.)

All things being equal, the cost of building one house of a certain type on one site should be the same as the cost of building a house of the same type on another site (land costs are dealt with separately). The work in progress for houses can be computed as follows:

**EXAMPLE 4**

- At the end of each year, each house being built must be inspected and a certain stage of completion must be allotted. (For example, stage 1 might be foundations dug; stage 9, plastering completed; stage 11, tiling completed).
- Each stage must be allotted a percentage figure relating to the total cost, e.g. stage 1 - 6 per cent; stage 11 - 90 per cent.
- The houses uncompleted should be analysed into types.
- The total of the percentages for each type of house is divided by one hundred and multiplied by the standard cost of the particular house.

*Type of House: A. Site: Hillside.*

	Stage	Per cent Completed
Plot 65 .. .. .	I	6
„ 66 .. .. .	I	6
„ 91 .. .. .	II	90
„ 92 .. .. .	II	90
		<hr/> 192

**Summary - Type A.**

Site	Per cent Completed
Hillside .. .. .	192
Glenton .. .. .	389
Hollowtown .. .. .	892
Monby .. .. .	750
Atley .. .. .	377
	<hr/> 2,600

Equivalent to 26 complete houses at standard cost:  $26 \times \pounds 1,449 = \pounds 37,674$ .

In relation to roads, footpaths and sewers, etc., the work in progress for houses uncompleted or unsold should be calculated at a certain rate per foot (or other convenient measure) of frontage. Reference should be made to site plans for the necessary information regarding the actual frontage of the relevant houses, width of road and pavements, and types of materials used. This information should be clearly marked on each plan by the firm's surveyors and architects. Inspection of all sites should be made at the date of the accounts and the extent of the work on the different roads, footpaths, sewers, etc., should be indicated on the plans. It has been found that one

of the most effective methods of recording this information is by colouring the roads, footpaths, etc., on the plans, when they have been completed. For example, blue may refer to a road completed in tarmacadam, or red may refer to a footpath completed in slabbed form. Where the roads, footpaths, etc., are in the course of completion, then the use of colours is not recommended. In this case, the relevant information regarding the stage of completion must be separately recorded. The respective rates to be used for costing this part of the work in progress will be determined according to width of the roads, footpaths, sewers, etc., the type of materials used, and the stage of completion.

**Guarantees against Defects**

It is now the usual practice for large private house builders to give a written guarantee to the purchaser of a house. This guarantee is normally to the effect that should any defects become apparent within a certain period after the sale, then the builder will correct the defects, without any further charge to the purchaser, provided the latter can prove that the defects have not been caused by his lack of care.

Unfortunately such matters as faulty plastering, warping doors, or bowing walls do sometimes occur, and the guarantee is thereupon invoked.

It is extremely prudent for the business to make some provision against any liability which may arise under the guarantee. Indeed, it is the current practice of the Inland Revenue to allow any such provision, if reasonable, as an expense in reference to any Schedule D liability. This is a valuable allowance since the provision is really against a liability of a contingent nature.

For the purposes of an example, it is assumed that the guarantee states that any defects, arising within the first two years after the completion of the house, shall be corrected without charge; that the sales arise equally over the whole of each year; and that any defects arise, on the average, evenly over the two-year period. Therefore, 25 per cent of the provision will be made at the end of the year in which the sale is completed; 75 per cent in the following year; and the full amount of the provision at the end of the third year, provided that the guarantee has not expired and been satisfied where necessary.

**EXAMPLE 5****Procedure**

- Ascertain the total number of houses sold under guarantee during each of the years immediately preceding the date of the accounts.

- (2) Total the number of houses, in each relevant year, upon which the two-year guarantee period has expired and upon which all liability under the guarantee has been met.
- (3) Compile a standard figure, from past and current information, of the approximate average cost per house of the carrying out of repairs or replacements, arising from claims under the guarantee.
- (4) The amount of the provision will be the total of:
  - (a) The number of sales in the year immediately preceding the accounting date at 25 per cent of the standard average cost.
  - (b) The number of sales in the last year but one, immediately preceding the accounting date, at 75 per cent of the standard average cost - 25 per cent from the first year and 50 per cent from the second year.
  - (c) The number of sales in the last year but two, immediately preceding the accounting date, upon which the guarantee has not expired, or has expired and claims have not yet been met or agreed, at the full standard average cost - 25 per cent from the first year, 50 per cent from the second year, and 25 per cent from the third year.
  - (d) The number of sales in years preceding the accounting date by more than three years, upon which claims have not been met or agreed at the date of the accounts, at the full standard average cost.

Guarantee expired and claims met				
Sales - 1956:	430	..	..	405
1957:	550	..	..	180
1958:	670	..	..	—
1959:	830	..	..	—
Standard average cost at end of 1959 - £16.				

*Computation*

1959 accounts	1956	1957	1958	1959
Sales of Houses	430	550	670	830
Guarantee expired and claims met ..	405	180	—	—
Guarantee outstanding ..	25	370	670	830
Proportions of standard average cost ..	£16	£16	£12	£4
	=£400	=£5,920	=£8,040	=£3,320
Total ..				£17,670

*Treatment of provision in subsequent years*

A separate account should be opened in the books of account, termed 'Repairs under guarantee'. The amount of any provision should be carried forward on this account, having been originally

transferred from the sales account. Any repairs or replacement under the guarantee should be debited to this account, and any difference on the account at the accounting date should be transferred to the company's profit and loss account, being shown as a separate item if of a material amount. A credit would be 'Claims under guarantee, over-provided in past years'. A debit balance would be 'Claims under guarantee, under-provided in past years'.

**Miscellaneous***Sundry provisions*

It often happens that houses are sold and occupation is effected before the complete task of building the house and surrounds has been accomplished. In many cases, walls and fences have not been erected at the time of the completion of the sale of the house, or paths have to be slabbed or pavements to be surfaced. It is obviously essential that the whole of the profit must not be taken to account without making some provision for the work still being done, or to be done, on houses which form the basis of completed sales. The cost of completing the work should be estimated at current costs and the particular provision made.

*Retentions by building societies*

It occasionally is the case that, where the payer of the purchase moneys is a building society, part of the moneys is retained until the whole of the house and surrounds has been built to the satisfaction of the society's surveyors. It is the usual practice of building societies to transfer the amount of such a retention to a loan account with the society, in the name of the firm of builders. The money cannot usually be withdrawn from the account until the whole of the house and surrounds is completed to the satisfaction of the society's surveyors.

It is essential that any amounts retained by building societies should not be included in the list of debtors, but shown as a separate item in the balance sheet under current assets.

*Reinstatement provisions*

The Town and Country Planning Acts, 1947-1954, enable a local authority to require that any pits or holes, caused by quarrying or digging commenced after the Acts came into operation, be filled in and the land reinstated to its original use on the completion of the quarrying or digging operations.

Some provision should be made in the accounts each year for the cost of such reinstatement,

where the local authority makes an order when permission to dig or quarry is granted.

The amount of the provision should be calculated as follows:

- (1) Estimate the total tonnage of material to be dug or quarried from the site.
- (2) Estimate the cost of reinstating the site after extraction of the estimated tonnage in (1).
- (3) The amount of the provision at the end of any year will be such proportion of the cost, as in (2), as the tonnage extracted to date bears to the total tonnage, as estimated in (1).

The figures in (1) and (2) should be re-estimated at the end of each year.

### *Contingent liabilities*

When the note regarding contingent liabilities is made on the balance sheet, any such liabilities relating to land must not be overlooked. It sometimes happens that the purchase of land entails the meeting of the liability for certain events which may occur in the future. Such covenants in the deeds may cover items like the burden of keeping a stream free of obstruction for perpetuity. All burdensome covenants should be carefully noted.

### *Purchases abandoned*

The purchaser of a house sometimes refuses to complete his side of the contract and abandons the purchase. Some controversy often arises over the question of the return of any deposit paid; whether the builder is entitled to retain the amount, or whether it must be returned to the purchaser. The problem can only be solved by reference to the actual actions of the parties. If there was only an option to purchase, signed by the parties, at the time of the payment of the deposit, then the deposit paid is returnable in full to the purchaser, provided the option is exercised in accordance with the terms of the option. In this case, provision must be made for any return of deposit where it has not been made at the accounting date.

If, however, a definite contract has been signed by the parties, then the deposit may be claimed by the builder in lieu of damages, and the sum carried to the credit of the profit and loss account. In practice, a large house builder will usually be able to resell a standard type house to another purchaser and, if there is a good reason for the abandonment, the deposit may be returned, usually after a deduction for the expenses of resale.

## Weekly Notes

### **The Association on Building Society Audits**

THE new regard which auditors, consequent upon the advent of the Building Societies Act, 1960, will have to direct towards those institutions when examining their transactions has already been defined by the Council of The Institute of Chartered Accountants in England and Wales in its statement published last December.<sup>1</sup> Now, the Council of The Association of Certified and Corporate Accountants has issued to all members of the Association in public practice and to all the member societies of the Building Societies Association a booklet drawing their attention to what it calls 'important and far-reaching alterations to the long-standing arrangements' governing such statutory audits.

The booklet runs to seventeen printed pages and consists of sections or excerpts from sections of the Act interspersed with the Council's comments. The matters dealt with include the keeping of proper

books by societies and arrangements for maintaining a satisfactory system for the safe custody of all documents of title; the form and contents of the financial accounts; the nature and scope of the auditor's report thereon; who are entitled to receive copies of the accounts; the regulations for the appointment and removal of auditors; the making of the annual return; and, again, the nature and scope of the auditor's report thereon. For each of the two reports required of the auditor, the Council of the Association suggests a suitable wording to be used when no qualification is necessary.

### **Not Enough Qualified Accountants**

IN many parts of the country there are not nearly enough qualified accountants in general practice or if there are, they have not enough staff. This observation was made by Sir Edward Norman, Chief Inspector of Taxes, at a luncheon of The Association of Certified and Corporate Accountants in London last Tuesday. 'At the same time', he added, 'staffing is a difficulty from which the Revenue itself is not immune'.

Each year the Revenue receives from accountants something over a million sets of accounts, said Sir Edward, but far too many of them are submitted so late that everyone is involved in additional work. In

<sup>1</sup> See *The Accountant* for December 24th and 31st, 1960.

order to give some idea of the seriousness of the problem, Sir Edward pointed out that notices of assessment under Schedule D were issued in November, but at the beginning of October little more than 50 per cent of the necessary accounts were received; this compared with a 1938-39 figure of over 80 per cent - with the inevitable result in terms of appeals. Well over half a million Forms 64-7, used by accountants for giving formal notice of appeal, were issued each year.

It was, said Sir Edward, a most disturbing situation, and whatever individual accountants could do to improve performance in this respect would be a gain to both sides.

Nevertheless, Sir Edward testified that relations between the Revenue and the profession were on a 'very good plane'. They might not always see eye to eye with one another, but there was a great measure of understanding and mutual respect.

### A Tax on Advertising?

THE Fabian Society has published a pamphlet with the above title which has been written by W. Max Corden, who is senior lecturer in economics at the University of Melbourne. The pamphlet is obtainable from the Society's office at 11 Dartmouth Street, London, SW1, price 4s 2d post free.

Mr Corden discusses the economic aspects of advertising as distinct from its sociological aspects and quotes from a number of works and other sources. He takes the view that the economic arguments put forward in justification of expenditure on advertising are to a large extent unsound, and he suggests that some discouragement should be imposed on advertising, such as disallowing the whole or an arbitrary proportion of the expenditure in arriving at taxable profit. He expatiates on the curious advertising methods adopted by manufacturers of synthetic detergents, which perhaps as much as anything have tended to bring advertising generally into disrepute.

### Move to Modify Surtax Rejected

THE House of Commons has negatived a motion by Mr Woodrow Wyatt to introduce a Bill for raising the surtax exemption limit (in the case of earned income only) from £2,000 to up to £6,000. Mr Wyatt said he wanted to introduce the Bill only on the footing that the Government would at the same time impose a tax on capital gains. Surtax at its present level was socially harmful because it gave rise to the 'expense account racket' and made professional men and executives reluctant to accept jobs carrying greater responsibilities. They were more inclined to spend their time on speculation in the hope of tax-free gains which would be more valuable. People seemed to be able to make themselves millionaires tax-free while hard earned remuneration was heavily taxed. After Mr Nabarro had spoken against the Bill and the House proceeded to a division it was found that no member was willing to act as teller for the 'Ayes'

and accordingly the motion was lost. Mr Nabarro's main point was that it was grossly improper to introduce the Bill such a short time before Budget day.

### Approved Auditors' Fees

AS announced in the report of the proceedings of the March meeting of the Council of The Institute of Chartered Accountants in England and Wales, elsewhere in this issue, the maximum fees chargeable by approved auditors have been revised and new scales will come into effect on July 1st. The Treasury have agreed to the revision as a result of representations by the three Chartered Institutes and The Association of Certified and Corporate Accountants.

### Cost of Absence from Work

A FACTUAL survey with case histories on absence from work has been published by the British Institute of Management.<sup>1</sup> Its findings are interesting and they prompt some cynical thoughts.

Absence among women is notably high in the London area and over the whole country it is 56 per cent higher than for men, although the average period of absence is shorter. An exception to this is accidents where the absence rate is three times as high for men as for women. The peak sickness month is February. The absence rate for women is 20 per cent greater for those on a 5½-day week. Among men, the sickness rate falls as length of working week increases. The smallest firms have the lowest overall absence rate, the largest have the highest. Skilled men have a low absence rate. As is known from other surveys, absence is high on Monday and Saturday but low on pay day.

As regards cost, the cost of absence per employee, in eleven studies this varied from 5s to £28 18s as between two departments in one company. This meant that between 4½d and £2 4s 5½d was added to the wage cost per week. In ten cases it was adding 3s or more to the wage cost per week of each individual.

Costs of this dimension clearly suggest that some concerns could usefully reconsider the value of Saturday morning working, long hours and the provision of centralized medical services (small companies acting as a group), this last as a means of reducing waste time in travelling. The booklet discusses methods of absence control used in five organizations.

### Irish Dividend Strip Fails

THE House of Lords has dismissed the appeal of a company which was incorporated in Ireland and which claimed repayment of tax on dividends from two English companies, paid the day after it acquired the shares. The company was incorporated in 1957

<sup>1</sup> *Absence from Work - Incidence, Cost and Control*. 10s 6d (8s 6d to members).

and in the same year acquired the shares. It claimed the repayment under Section 349 of the Income Tax Act, 1952, which confirms the double tax agreement with the Irish Republic. The claim was resisted on the ground that Section 4 (2) of the Finance (No. 2) Act, 1955 (the first anti-dividend stripping section) applied. This subsection deals with the case of 'a person entitled under any enactment to an exemption from income tax'. The Revenue argued that the case was clearly within Section 4 (2) but the company argued that it was against the comity of nations for one country unilaterally to terminate treaty rights.

This argument found favour with the Special Commissioners but not with the High Court or the Court of Appeal, and it has now been finally rejected by the House of Lords (*Collco Dealings Ltd v. C.I.R. (The Times, March 3rd)*). Lord Simonds said neither comity nor the rule of international law could be invoked to prevent a sovereign State from taking what steps it thought fit to protect its own revenue laws from gross abuse or to save its own citizens from unjust discrimination in favour of foreigners. He knew of no case in which the words of the statute were unambiguously clear and it was sought to vary them on grounds which could not be justified by broad considerations of justice or expediency, nor could be supposed to commend themselves to that sovereign power those citizens relied on them. Lord Reid said that the only person entitled to complain about the infringement of a treaty was the other party to the treaty.

As a result of the company's success before the Special Commissioners a new agreement was made with the Republic of Ireland in 1959, amending the double tax agreement of 1926 (see the Finance Act, 1959, Section 29 and Seventh Schedule). There was a further amendment in 1960 (see the Finance Act, 1960, Section 42 and Fifth Schedule).

### Hire-purchase Pitfalls

**I**N *Campbell Discount Co Ltd v. Bridge (The Times, March 2nd)* the Court of Appeal allowed the company's appeal against a County Court decision and ordered the defendant to pay £206 3s 4d. The case arose out of an agreement in 1959 under which the defendant traded in his old car for £95 and agreed to buy another one (cash price £405) on hire-purchase for a total of £482 10s. He paid £10 down in cash and agreed to settle the balance by thirty-six monthly instalments of £10 9s 2d. After he had paid the first instalment he wrote to the company saying that he would be unable to make any more payments; and he returned the car to the dealer. Now clause 6 of the agreement provided that the hirer might terminate the 'hiring' at any time, whereupon clause 9 would apply. Clause 9 provided *inter alia* that if the hiring be terminated the hirer should forthwith pay all arrears of rent plus 'by way of agreed compensation for depreciation' a further sum to bring the total

rentals up to two-thirds of the hire-purchase price. It was on this clause that the company sued for the £206 3s 4d.

The defendant argued in vain in the Court of Appeal that this sum was in the nature of a penalty for breach of contract and, since it was far in excess of the real damage, was unenforceable. Moreover, if that was wrong, it was unfair to make him pay the £206 when, if he had simply repudiated the contract, such defence would have plainly succeeded. The Court of Appeal reluctantly held in favour of the company but gave the defendant leave to appeal to the House of Lords.

In another case decided in the Court of Appeal in the same week, the company was less successful (*Campbell Discount Co Ltd v. Gall (The Times, March 3rd)*). Mr Gall had agreed with a dealer's manager to buy a second-hand car for £265 on hire-purchase terms, and paid a deposit of £65. He signed a printed form of hire-purchase agreement purporting to be with the finance company but left the blanks unfilled, entrusting the completion of the form to the dealers. The dealers had told him that he would have to pay a further £200 by instalments not exceeding £2 a week spread over eighteen months. They then inserted on the form a false purchase price of £325 (i.e. outside the Hire-Purchase Acts limit) and a provision that repayment was to be by twenty-four monthly instalments of £13. The finance company accepted the transaction and paid the dealers for the car. Later they sent a copy of the agreement to Mr Gall who naturally complained and the car was repossessed. The finance company sued him for £52, being four instalments, and claimed that the dealers, in inserting a false price, were acting as Mr Gall's agent. The Court held that it was entitled to go behind the written contract. It held that there was no contract in law as Mr Gall had never agreed to pay the higher price. Accordingly, he was not liable for the £52. His counter-claim for the £65 was also dismissed, but without prejudice to his right of action against the dealers.

### Valuing Work in Progress

**T**HE House of Lords on February 28th heard the Crown's appeal against the decision of the Court of Appeal in *Duple Motor Bodies Ltd v. Ostone* 39 A.T.C. 38<sup>1</sup>. That Court had upheld (although on slightly different grounds) the decision of Mr Justice Vaisey that, in valuing work in progress for the purpose of arriving at the assessable profit for tax purposes, a company manufacturing motor bodies to order was entitled to bring in only the direct cost of materials and labour. The Crown seeks to enforce an addition for overheads and was able to obtain a decision in its favour by the Special Commissioners.

<sup>1</sup> See a leading article in *The Accountant*, March 26th, 1960, at page 361.

The Court of Appeal refused the Crown's request for leave to appeal to the House of Lords but the House granted such leave. It has now heard the appeal but has reserved judgment.

### Import Duty on Tape Recorders

**A**FTER a hearing lasting several days the High Court has decided that 'TK' and 'Cub' tape recorders imported by Grundig (Great Britain) Ltd, are 'suitable for the recording or reproduction of music' even when (in the case of the 'TK') a resistor has been removed, thereby reducing the top frequency cycle to 5,500 per second. Accordingly, they are excluded from the category of 'dictating machines' in the Import Duties (General) Order, 1958, and must pay import duty at 20 per cent instead of 10 per cent (*Grundig (Great Britain) Ltd v. Commission of Customs and Excise* (*The Times*, February 28th)).

Mr Justice Barry said that the resistor consisted of a small piece of carbon with a short length of wire at each end and could easily be replaced for a few pence. 'Suitable' did not mean 'commercially suitable'; the question was whether the musical performance of the instrument increased its selling potential. The 'Cub', while not a very efficient musical instrument, was no less suitable for musical purposes than a small transistor radio.

The company was successful in another action turning on the words of the now superseded Import Duties (Geneva) Order, 1956, which imposed a 10 per cent duty on 'machines of the type used for recording dictated correspondence' and a higher rate on 'gramophones with electrical amplification, including radio gramophones, combined recorders and reproducers (complete with amplifiers) for magnetic sound recording on tape or wire'. The Court accepted the company's contention that if the machines were 'dictating machines' then they were chargeable at the lower rate, even though they might also be 'combined recorders and reproducers'. In 1949 there was only one type of dictating machine in existence, the Dictaphone, and it would be safe to assume that a small proportion of Grundig recorders imported before the arrival of the 'Stenorette' had been used as dictating machines. If this was so, the recorders could be properly described as 'machines of the type used for recording dictated correspondence'.

### Deutschmark and Guilder Revalued

**T**HE reaction to the 4½ per cent revaluation of the deutschmark and the adjustment of the Dutch guilder in sympathy, has been mixed. The U.S.A. has considered it no more than a gesture in the right direction. In this country the reaction has been mixed.

British industry has welcomed the move. It gives an edge to our competition against German goods in all German export markets. It remains to be seen

what it does to booming United Kingdom-German trade. Its effect on sterling has been adverse. Speculation had favoured the buying of marks before revaluation and the flow of funds is now likely to be into other countries. Volatile funds will be on the move again and since much of this type of capital has come to London over the last few months, sterling is vulnerable at the present time to the secondary effects of the German move, especially the strengthening of the dollar. The German revaluation is likely to stifle speculation on a dollar devaluation for some time. The German move may thus be accelerating growing pressure on the pound. An outflow of 'hot' money from London was bound to develop sooner or later. Now, it may be sooner.

Stock Exchange reactions to the revaluation were favourable. The markets presumably preferred to take the long view (as they persistently do these days) that British exports would gain even if the pound had a difficult time in the short run. They may also have foreseen a period of greater stability in international trade and finance now that Germany has at least started on a policy which will re-distribute world foreign exchange reserves and aid international liquidity.

### Local Government Debt in 1960

**A**SURVEY was made recently by the Treasury on local government authority loan debt for the financial year 1959-60. There had been similar surveys for previous years. The latest one, however, covers 110 authorities compared with only sixty-six in 1959. Those who did not respond to the survey were mainly small authorities so the omission of their figures does not seriously affect the percentage analysis of the outstanding debt, although it is important, of course, in comparing absolute changes from one survey to another.

It is estimated that total loan debt increased in 1959-60 by about £375 million, compared with an increase of £340 million in 1958-59. Last year was the first time since 1955-56 when there had been a rise in the annual rate of local authority borrowing. On the whole there continued to be a reduction in the outstanding debt of authorities to the Public Works Loan Board but this did not apply to smaller authorities, that is to say, the urban district councils, rural district councils and small burghs. In these cases there was in fact an increase in outstanding debt to the P.W.L.B., but even for groups of smaller authorities the open capital market continued to be the main source of new borrowing, chiefly in the form of mortgages representing about one half of the total increase in debt. There was also an increase in the borrowing through the London Stock Exchange, but in the last financial year this channel was confined to county councils in England and Wales. Borrowings by corporation on local bonds (including housing bonds), rose by about the same amount as in the preceding year but the amount involved, about £17



million, represented a small proportion of total borrowings.

There was again a big increase in temporary borrowing by authorities as a whole. On the other hand there was a decrease in the temporary borrowing by county councils since these were taking increasing advantage of the London Stock Exchange. Small burghs in Scotland borrowed less on a temporary basis but for all other groups of authorities, including small ones in England and Wales, temporary borrowing was an important source of funds.

Increases in temporary borrowing and the movement from the P.W.L.B. mortgages to other types of mortgage were accompanied by a further shortening in the average term of debt. The proportion of debt due for payment in five years or less rose from 28·3 to 31·9 per cent while the proportion due for payment in fifteen years and over fell from 54·4 to 51·7 per cent.

This general shortening applied to all local authority debts except to certain county councils in England and Wales.

## *This is My Life . . .*

by An Industrious Accountant

### CHAPTER 67

THE sales manager came along to my room last week, with a most convincing expression of sympathy, to ask if the accounts department was still trying to lose customers by making things awkward for them, or were we prepared to act like humans for once! This gambit being received in icy silence, he relaxed cheerfully and suggested that we should have a 'heart to heart'.

It was the old story, of course. He had a customer waiting below, anxious to place a big order; the only trouble was that the account had been slow in paying for a long time and was standing at its maximum credit rating. Still, the business was well worth cultivating and the laddie might weel ha' a braw future if we'd gang cannily wi' him the noo.

The S.M. always lapses into his native Doric when he becomes earnest, and it's hard to resist his eloquence. The trouble is that all his geese are swans when he's selling them. However, I'd been tough in the past with some doubtful-seeming customers regarding their credit ratings, and I wanted to be just, if not merciful, for a change.

I must say that the customer seemed a good type. He was a diffident fellow, with a broad ingenuous face and big eyes, and an old green pork-pie hat on his straw-coloured hair; his offer seemed fair enough. He'd pay off the old account and put in a big factory order; perhaps we could stretch a point on his rating, and perhaps - this rather hesitantly - we could allow a little discount on the old account. Under the salesman's appealing eye, supported by the sympathetic ledger clerk, I stretched the rating somewhat, but I had to be adamant about the unjustified discount claim. Pork-pie took this refusal like a good loser and paid up manfully; which induced sympathy in the S.M., who promptly promised him some bargains.

They were tired but cheerful when they came back in the evening. Pork-pie was stocking up for the Easter trade and had bought heavily of our bread-and-butter lines; he hadn't haggled for quantity rebates, as he might have done; in return, the sales manager had been generous to him in pricing down some substantial oddments and seconds. The total order looked good.

In fact, it was too good. The total was well above the increased credit rating; we would have to cut him down, and it was rather awkward to say so after he had behaved so well. Still, concessions must be balanced delicately and first impressions need confirmation. Just then our deputy chairman came along and was introduced. He tours the store systematically twice a day, greeting customers and doing an 'elder brother' act; he chatted away in lordly style and rather impressed Pork-pie with his forecast of the glories of the new wing we're erecting, roof-gardens and wall murals and what not. He was in his turn impressed by the size of the order and, of course, he had to act the 'big shot'. He can never resist playing to the gallery, even though it means barging in on someone else's prior arrangements. He nodded to Pork-pie with patronizing benevolence and instructed me to allow full discount on the old account; so in a flurry of mutual admiration we issued the credit note there and then. Still, it made it easier to press for a reduction in the order; and our customer went off to revise it.

\* \* \* \* \*

The sales manager has just phoned me, almost speechless with indignation. 'Yon scoundrel! He's written in to cancel all the stock lines, he's taken all the barrgains, and the discount as well, forbye! Who'd ha' kenned it?'

It just goes to show that an ingenuous face and a diffident manner are commercial assets; maybe it will teach our deputy-c the truth of the old proverb about fools rushing in. It's a lesson to me, too. Accountants are expert in making deductions from tabulated figures and interpreting statistics, but each to his last. The temptation to become an amateur psychologist and deduce character on the fallible basis of the human physiognomy must be sternly resisted.

# Reviews

## Double Taxation

by C. E. GARLAND, Barrister-at-law and PERCY F. HUGHES. (Taxation Publishing Co Ltd, London. 30s net.)

The problems of double taxation relief can make the stoutest heart quail. As the preface to this admirable work says, there is no absence of literature on the subject – 'innumerable orders, schedules and provisions in Acts of Parliament and official summaries of the special features of foreign taxation systems', and how repellent they are – not to mention the time one wastes roaming through this enormous field. Without doubt, therefore, there was a crying need for a reasonably brief manual which gave the general background to the subject and which constituted a vade-mecum for the harassed practitioner who wants to solve a particular problem in the shortest possible time. Messrs Garland and Hughes have met that need.

Mr Garland was for many years in the Inland Revenue Inspectorate, and Mr Hughes is, of course, the editor of our contemporary *Taxation* and the author of several books on taxation. They attack the subject from a strictly practical angle and give numerous arithmetical examples. Appendices contain useful tables showing the various agreements, as well as the relevant legislation. In any particular case it is obviously wise to acquire the actual statutory instrument which applies (and which costs only a few pence); this book does the rest and will more than pay for itself in time saved. On unilateral relief it is, of course, particularly useful.

## Williams on Executors and Administrators

*Fourteenth edition*, by G. W. KEETON, M.A., LL.D., Barrister-at-law, and E. H. SCAMMELL, LL.M., Barrister-at-law. (Stevens & Sons Ltd, London. 2 vols. £12 12s net.)

To say that this is the best work on executorship law would not do it justice, for there are several branches of the law where even the best textbook leaves a good deal to be desired. This then is not only the best executorship law textbook, but stands out as one of the best of legal textbooks in general. Professor Keeton holds the chair of English law at London University and is well known as a textbook writer, while Mr Scammell is a barrister who practises in this subject. The editors therefore present an ideal combination. Moreover, the foundations on which they have built are firm indeed. The first *Williams* appeared in 1832 and its original author saw it through seven editions and over forty years, being succeeded by illustrious lawyers of more recent times. Their task has been to weave in the new law and to cut

out the obsolete law. Some might say that in the last previous edition, which appeared in 1954, the cutting out was perhaps a trifle too enthusiastic. If it was, the present edition corrects the fault.

In spite of the elimination of obsolete matter, the 130-odd years of this book's existence have necessarily been years of growth, as society has become more complex. Problems arise which were undreamt of in 1832. That the book has kept pace with them is eloquently illustrated by the table of cases cited – a table which, using smallish print, occupies over 107 pages.

The text itself, covering over 1,200 pages, is most conveniently divided into numbered paragraphs, while an admirable balance has been struck between text and footnotes, the latter being neither too fragmentary nor too long. The binding and finish are excellent – an asset to any set of bookshelves. The work is not cheap, but how much better to spend a little more and to be able immediately to find the answer to one's problem, than to be continually frustrated by the shortcomings of a cheaper book.

The rules of equitable apportionment, which needless to say are extensively dealt with, are perhaps more of an accountant's problem than a lawyer's, at any rate in the working out of the practical effects. There is no intended criticism in the suggestion that the work's utility would be further enhanced by the inclusion of a few arithmetical examples.

## Mathematics in the Making

by LANCELOT HOGBEN. (Macdonald & Co (Publishers) Ltd, London. 50s net.)

Professor Hogben's powers of exposition will be familiar to many readers from his earlier work written 'for the millions' who have wondered what mathematics was all about. This new handsomely-produced volume with colour illustrations and beautiful type will provide excellent revision (and some new ideas) for those readers who were able to work their way through the earlier book. The origins and development of mathematics are lucidly expounded against an historical background which reveals how the needs of the times brought forth new techniques. One may read of the contributions of the Babylonians and the Egyptians, of the genius of Leibniz and Newton, and of the more recent development of modern statistical tests of significance together with their logical foundations. This volume would make an ideal present for the boy or girl working for the advanced level papers in pure and applied mathematics.

## Guide to Members' Voluntary Winding-up Guide to Creditors' Voluntary Winding-up

(Longacre Press Services Ltd, 161-166 Fleet Street, London, EC4. 21s 9d each, including postage.)

Guides to the formation of companies are legion; aids to their winding up are not nearly so plentiful. It is doubtful, however, whether there are more

elaborate guides to formation than these 'do-it-yourself kits' relating to winding up published by Longacre Press Services Ltd.

Bound inside stout covers are copies of all the necessary drafts and forms, clearly printed and in correct chronological order, separated by concise but adequate notes on each individual step. In each case the file begins with a brief explanation of the procedure and at the end is a register of proceedings for completion as each step in the complicated process of winding up is completed. These conveniently-compiled sets of forms should remove a good deal of the headache associated with winding up, and are of special value to liquidators and potential liquidators. They should also be useful for instructional purposes.

## RECENT PUBLICATIONS

GREEN'S DEATH DUTIES, third (cumulative) supplement to fourth edition, by D. J. Lawday, LL.B.(LOND.), and E. J. Mann, LL.B.(LOND.). xii+92 pp. 9½×6. 10s 6d, postage 6d. Butterworth & Co (Publishers) Ltd, London.

ACCOUNTANCY, third edition, by William Pickles, B.COM. (VICT.), F.C.A., F.R.S.A. x+1419 pp. 9×6. 37s 6d net. Sir Isaac Pitman & Sons Ltd, London.

THE OFFICIAL YEAR-BOOK OF THE NATIONAL ASSEMBLY OF THE CHURCH OF ENGLAND 1961. xxiv+496 pp. 8½×6. 30s net. The Church Information Office of The Church Assembly, Church House, Westminster, London, SW1.

HOTELS AND RESTAURANTS IN GREAT BRITAIN AND IRELAND, thirty-third edition. The official guide of the British Hotels and Restaurants Association. xvi+512+24 pp. section maps. 8×5½. Card covers. 3s 6d; 4s 6d post free. The British Hotels and Restaurants Association, 88 Brook Street, London, W1.

# Current Law

## Variation of Trusts to Expunge Trust for Accumulation

UNDER a settlement the settled fund was divided into two halves, one share being for the benefit of the settlor's son and the other for that of his daughter. The son's share was subject to a trust for accumulation until the death of the settlor or until the son attained 30 years of age, whichever first happened. If the son attained 30 he would become absolutely entitled to his share, but if he died under that age his share would accrue to the daughter's share. The income of the daughter's share was subject to a similar trust for accumulation, and, if she attained the age of 30, the income would be payable to her during her life; from and after her death, whether before or after attaining the age of 30, the capital would be held on trust for her children as she might by deed or will appoint, and in default of appointment for her children in equal shares who being sons should attain the age of 21 or being daughters should attain that age or marry. In the event of no child of the daughter attaining a vested interest, her share would accrue to the son's share. In *Re Tinker's Settlement* ([1960] 3 All E.R. 85, note), the settlor applied for the approval of the Court under Section 1 of the Variation of Trusts Act, 1958, to an arrangement whereunder (a) the trust for accumulation of the income of the two settled shares would be terminated so as to avoid a possible liability for estate duty on the settlor's death; and (b) should the son die under the age of 30 leaving a child or children who should

attain the age of 21 or being female attain that age or marry, a half of the son's share would go to such child or children instead of the whole of his share accruing to the daughter's share.

Russell, J., sanctioned the termination of the trust for accumulation because he came to the conclusion that it must be for the benefit of the next generation, for whom he was concerned, to do so. The judge found himself unable, however, to sanction the other variation of the trust which was asked for. There was some evidence that the settlement as made did not carry out the intentions of the settlor, so that there might be proceedings for rectification; as the settlement stood, its effect might be that the son's share would go away from his children to his sister and her children, and this would clearly be hard on the son's children. It was argued that it would be beneficial to the sister's children, as members of the family viewed as a whole, that something which was reasonable and fair should be done, but his lordship held that he could not apply the jurisdiction under the Act in that broad way.

## Remuneration During Illness

THE plaintiff in *Orman v. Saville Sportswear Ltd* ([1960] 3 All E.R. 105) was employed by the defendant company at a basic weekly salary, plus a bonus of 2d for every skirt manufactured at the defendant's factory. The plaintiff was absent from work through sickness for some seven weeks during which time he received his basic salary but no bonus. The company contended that he had been paid his salary only as a matter of grace, while the plaintiff contended that he was entitled to bonus as well as salary. There was, in fact, nothing in the agreement between the parties as to the plaintiff's right to payment during absence through illness.

Pilcher, J., having considered the authorities and in particular *Reigate v. Union Manufacturing Company (Ramsbottom)* ([1918] 1 K.B. 592), found that where

the written terms of a contract of service are silent as to what is to happen in regard to the employee's right to be paid whilst he is absent from work due to sickness, the employer remains liable to continue paying so long as the contract is not determined by proper notice, except where a condition to the contrary can properly be inferred from all the facts and the evidence in the case. The employer who seeks to establish an implied condition that no wages are payable must make this condition out, and no such condition will be implied unless it is such a term that it can confidently be said that if at the time when the contract was being negotiated it had been put to the parties 'What will happen in such a case' both would have replied 'Of course, so and so will happen; we did not trouble to say that; it is too clear'. This is the test laid down by Scrutton, L.J., in the *Reigate* case. It was argued that a distinction should be drawn between basic salary and bonus, so that, whereas the former might be payable, the latter was not, but Pilcher, J., while saying that the point was a very difficult one to determine, came to the conclusion, having regard to the background of the case, that no distinction should be drawn, with the result that the plaintiff's claim was entitled to succeed.

#### Whether Power Fraudulently Exercised

THE testator in *Re Robertson's Will Trusts* ([1960] 3 All E.R. 146, note), by his will, settled property on trust for R. for life, and after his death upon trust for such of his children or remoter issue as he should by deed or will appoint, and in default of appointment in trust for all or any of his children or child who should attain the age of 21 years, and if more than one in equal shares. R. applied to the Court for variation of these trusts under Section 1 of the Variation of Trusts Act, 1958, the object of the proposed arrangement being (a) to attempt to reduce the estate duty liability, (b) to make capital available for the benefit of the applicant's children, and (c) to ensure that, as far as possible, the income of the applicant would not be depleted as a result of the proposals and that he and his wife would be able to maintain their existing standard of living. It was proposed to achieve these objects by apportioning the capital of the settled share between the applicant and his three children according to their respective actuarial interests. The applicant desired to purchase an annuity with the part of the capital which he would receive under the proposed arrangement and it was found that, in the circumstances, an annuity so purchased would bring in an income larger than that which he received from his life interest in the settled share. In furtherance of this scheme, the applicant, by a deed of appointment dated February 8th, 1960, appointed his settled share, subject to his life interest, to his three children absolutely in equal shares, and at the hearing of the summons the point was raised by the Court that, as the applicant might indirectly obtain a benefit for himself under the power of appointment which he had exercised, this

might be a fraud on the power and might preclude the Court from approving the arrangement.

Russell, J., however, was satisfied, after considering the evidence and the information supplied to the Court in regard to the working out of the scheme, that there was no fraud on the power, it being quite plain that from the inception the applicant's purpose and intention was to benefit his children, and not himself, by making the appointment in question, consistently with his being in no worse position with regard to the trust fund whether the scheme went through or not. In the circumstances his lordship approved the scheme of arrangement.

#### Short Notice of Meeting

IN *Re Pearce, Duff & Co Ltd* ([1960] 3 All E.R. 1222) a petition was presented for confirmation by the Court of the reduction of the capital of the company under Section 66 of the Companies Act, 1948, the proposed mode of reduction being the return of paid up capital to the preference shareholders. The notice which was posted to the ordinary shareholders (who alone had voting rights), stating that an extraordinary general meeting was to be held for the purpose of passing the necessary special resolution, failed to comply with the requirements of Section 141 (2) of the Act as to notice.

On the morning of the day on which the meeting was held, the directors agreed that an additional special resolution be put before the meeting for the payment to the preference shareholders of a premium of 1s on each preference share repaid, contingently on the reduction of capital taking effect. Both such resolutions were passed by the members present at the meeting, who between them held more than 95 per cent of the ordinary shares. The proviso to Section 141 (2) provides that a resolution may be proposed and passed as a special resolution at a meeting of which less than the requisite twenty-one days' notice has been given, if it is so agreed by a majority in number of the members having the right to attend and vote, being a majority holding not less than 95 per cent in nominal value of the shares giving that right.

Buckley, J., held, however, that the proviso required the persons who agreed to a resolution being passed on short notice to appreciate at the time that it was being so passed and to agree to its being so passed with that consideration in their minds. As, in the present case, the shareholders were unaware that the requisite notice had not been given, their consent did not cure the defect. As, however, the consent of every ordinary shareholder had, since the date of the meeting, been obtained to the resolutions being treated as valid, his lordship said that the Court ought not to hear any of the shareholders say that they were not validly passed. In those circumstances, he felt entitled to treat the resolution for reduction of capital as a sufficient basis for the reduction which the Court was asked to confirm and he made an order accordingly.

# Finance and Commerce

## Woolworths

THIS week's reprint features the accounts of F. W. Woolworth & Co Ltd. There is nothing complicated about them. Shift the decimal point a few places to the left and they could basically be the accounts of a simple retailer. Their interest is largely in the sight of the multi-millions of money employed, and the fact that today's millions have all come from the ploughing back of profits. Mr R. John Berridge, the chairman, recalls the statement made in 1931 when the company was made public and its shares were first offered for sale: 'The business has been built up to its present dimensions, entirely out of profits'. 'Thirty years after', he says, 'those words are equally true.' Ordinary capital, then £3½ million has been increased to £47¼ million 'entirely from the company's own resources'.

These accounts show a net profit before taxation of £31,303,554, an increase over the previous year of £3,019,842, or 10·68 per cent. This follows the 'jubilee year' increase of £2,686,627 or 10·50 per cent on the 1958 profit. The latest profit rise is the highest rate of increase since 1954; the 1931 figure was £4,211,356. The rest of the story is largely in the improvement and development of buying and selling organization and the increase in the number of what in these days are called 'retail outlets' from 458 in 1931 to 1,053.

## Different Pounds

Looked at from another angle, there is also the lesson here of what used to be called the profit in cash discounts. Woolworths made a name for offering hard spot cash to its suppliers to the point where, in effect, the retailer finances the actual production of the goods. The cash item has always been a strong point in the Woolworth balance sheet but it must, of course, be viewed in the light of the commitments for tax and dividend distribution.

The statistics of past performance come from the 'Company's record 1931-60' provided with the accounts this year, which gives the financial history of the company since it became a public investment. The figures covering eleven columns, showing the growth of profits, assets, stockholders' funds, capital, dividends and additions to reserves, are impressive. One cannot, however, escape some feeling of unreality when looking back over nearly a third of a century of changing money values. The story is one of thirty years of social development, the coming of 'teenage spending', and all the other factors that come with war and inflation. What one really requires is an

## F. W. WOOLWORTH AND CO., LIMITED AND SUBSIDIARY COMPANIES

Notes to be read as part of the Accounts  
for the year ended 31st December, 1960

	1960	1959
(1) CAPITAL AUTHORISED AND ISSUED		
Ordinary Stock at 1st January	135,000,000	33,750,000
Increase by resolution passed at Extraordinary General Meeting of Ordinary Stockholders held on 2nd November, 1960	54,000,000	13,500,000
by transfer from General Reserve	7,250,000	
by transfer from Profit and Loss Account Balance	6,250,000	
	<u>£13,500,000</u>	
Ordinary Stock at 31st December	189,000,000	47,250,000
Preference Stock £1 Units	5,000,000	5,000,000
	<u>£52,250,000</u>	<u>£38,750,000</u>
(2) GENERAL RESERVE		
Balance at 1st January	11,250,000	9,250,000
Deduct Amount capitalised on 2nd November, 1960	7,250,000	
	<u>4,000,000</u>	
Add Proposed appropriation for the year	2,000,000	2,000,000
Balance at 31st December	<u>£6,000,000</u>	<u>£11,250,000</u>
(3) FUTURE TAXATION		
The amount of £10,700,000 reserved at 31st December, 1959, has been transferred to Current Taxation.		
(4) PROVISION - STAFF PENSION AND BENEVOLENT FUND		
Balance at 1st January	582,749	568,382
Deduct Payments during the year	77,647	60,633
	<u>505,102</u>	<u>507,749</u>
Amount added to the Fund	100,000	75,000
Balance at 31st December	<u>£605,102</u>	<u>£582,749</u>
(5) CAPITAL COMMITMENTS		
The estimated amounts of outstanding commitments for capital expenditure not included in the accounts are:		
Parent Company	£3,400,000	£3,750,000
Group	<u>£3,490,000</u>	<u>£4,057,000</u>
(6) FREEHOLD AND LEASEHOLD PROPERTIES		
The Freehold and Leasehold Properties of the Company are included at the Directors' valuation as at 1st January, 1957, with subsequent additions at cost. The Freehold and Leasehold Properties of the Subsidiary Companies are included in the Consolidated Balance Sheet at cost. The net surplus arising on the sale of properties, amounting to £157,611, has been added to depreciation provisions.		
(7) SUBSIDIARY COMPANIES		
(Statements pursuant to paragraph 15 of the Eighth Schedule to the Companies Act, 1948)		
The financial years of the Subsidiary Companies which are dealt with in the Consolidated Balance Sheet and Consolidated Profit and Loss Account of the Company, ended on 30th June, 1960. The Directors of the Company consider that if the financial years of these Overseas Companies were altered to correspond with that of the Company, it would occasion delay in the presentation of Consolidated Accounts to Members of the Company.		
The Consolidated Balance Sheet and Consolidated Profit and Loss Account do not deal with the remaining Subsidiaries, since to do so would in the opinion of the Directors be of no real value to the Members of the Company in view of the insignificant amounts involved.		

R. J. BERRIDGE }  
F. L. CHAPLIN } Directors



**F. W. WOOLWORTH AND CO., LIMITED AND SUBSIDIARY COMPANIES**

**Consolidated Profit and Loss and Appropriation Account for the year ended 31st December, 1960**

(The Profits of Subsidiary Companies are included for the year ended 30th June, 1960)

	1960	1959
	£	£
Depreciation of Freehold and Leasehold Properties .. .. .	804,438	746,127
Depreciation of Fixtures, Furniture and Equipment .. .. .	1,029,822	885,384
Emoluments of Directors of Parent Company: — Remuneration for services and contributions paid by the Company under approved Pension and Life Assurance Schemes .. .. .	282,962	266,425
Pensions and Life Assurance Premiums in respect of retired Directors .. .. .	2,677	2,621
Net Profit before Taxation	31,303,554	28,283,712
	<u>£33,423,653</u>	<u>£30,184,269</u>
Taxation based on Profits of the year: —		
Income Tax .. .. .	12,152,292	10,873,216
Profits Tax .. .. .	3,700,000	2,800,000
Overseas Taxation .. .. .	110,525	76,750
Reserve for equalising Capital Allowances .. .. .	485,000	530,000
Net Profit carried down .. .. .	16,447,817	14,279,966
	<u>£31,303,554</u>	<u>£28,283,712</u>
Special Golden Jubilee Cash Bonus		
Provision for Depreciation of Investments .. .. .	123,913	1,378,125
Expenses of Capitalisation of Revenue Reserves .. .. .	109,568	—
Amount added to Staff Pension and Benevolent Fund .. .. .	100,000	75,000
Proposed Appropriation to General Reserve .. .. .	2,000,000	2,000,000
Dividends, less Income Tax at 7s. 9d. in the pound: — Paid: —	<u>183,750</u>	<u>183,750</u>
On 6 per cent. Cumulative Preference Stock .. .. .	3,100,781	2,756,250
On 135,000,000 5s. units of Ordinary Stock .. .. .	3,284,531	2,940,000
Interim Dividend of 9d. per unit .. .. .	7,235,156	6,546,094
Proposed to be paid on 4th March, 1961: — On 189,000,000 5s. units of Ordinary Stock .. .. .	10,519,687	9,486,094
Final Dividend of 1s. 3d. per unit .. .. .	—	—
Balance carried forward: —	<u>9,484,255</u>	<u>9,484,255</u>
Parent Company .. .. .	223,109	223,109
Subsidiary Companies .. .. .	5,479,507	5,479,507
	<u>£18,332,675</u>	<u>£18,332,675</u>



index to transmute the pounds of yesteryear to those of today to see the picture in its true perspective.

### Point Taken

IT is satisfactory to note that a hint in this column has produced the desired effect. In our issue of August 20th last, we reprinted the accounts of Thos. Barlow & Sons Ltd, a company registered in Johannesburg. The chairman, Mr C. S. Barlow, subsequently expressed his pleasure and through his London representative said that he was extremely interested in modern accounting layout. While the accounts certainly conformed well to present-day standards we made the point that there was no proper guide to the nature of the business carried on.

This has now been remedied – in the report with the accounts for the year to September 30th, 1960, presented at the annual meeting in Johannesburg at the end of January. Spread across two pages is a map of the southern region of Africa from the Cape up to the Congo and Tanganyika borders. The map shows the ramifications of the business through South Africa and the Federation of the Rhodesias

and Nyasaland with numerals against the various towns to explain, by reference to a legend, that here or there is a depot for earth-moving and agricultural machinery, or engineering supplies, for refrigeration and electrical appliances, for diamond drilling, cementation and soil mechanics, or for motor vehicles, as the case may be. And alongside the map, is a list of the principal companies in the group.

### Retained Surplus

With these accounts, the directors have also adopted a practice which is coming to be accepted by many companies elsewhere: the consolidation of sundry revenue reserves – contingencies, general, etc. – into one figure for retained surplus with the unappropriated balance on profit and loss account.

Thus, in the two profit and loss accounts, the accounts deal with the profits of the year, parent and consolidated, to the final appropriation to produce retained profits for the year. The consolidated figure is £364,295 and to this is added retained surplus brought forward of £3,093,194, to make the retained surplus in the balance sheet.

## CITY NOTES

REVALUATION of the West German mark not only touched off currency speculation but also a fresh round of stock-market optimism. At the beginning of the week, stock-market turnover approached the level seen during the post-election boom in 1959 and the buying force quickly showed up the acute shortage of market supplies. Some of the price rises were difficult to reconcile with the plain fact of German mark revaluation, but the market's performance demonstrated the underlying strength of the equity sections despite all the caution so earnestly preached by most brokers and commentators over the past two months.

The reasons for that caution may become more apparent in the next few weeks. There was the first sign of the reasons in the £18 million fall in the gold reserves in February. With the dollar now strengthened and the U.S.A. gold outflow stemmed, sterling area reserves are likely to remain under some pressure because of the reversal of the 1960 'hot money' flow.

It remains to be seen whether the weight of investment money continues to keep the equity section of the market going against the rather bearish external economic indicators. The response to the Iron and Steel Holding and Realization Agency's 'spring sale' of £85 million worth of steel company prior charges showed that, despite the broad investment concern with equities, there is still a strong demand for high yield prior charges.

The exceptional circumstances of 'firm' applications via banking and stockbroking consortia behind the issues, however, tended to obscure the true response.

### RATES AND PRICES

*Closing prices, Wednesday, March 8th, 1961*

**Tax Reserves Certificates** interest rate (26.11.60) 3%

#### Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

#### Treasury Bills

Dec. 30	£4 6s 11.78d%	Feb. 3	£4 3s 4.46d%
Jan. 6	£4 6s 10.38d%	Feb. 10	£4 6s 0.56d%
Jan. 13	£4 6s 1.51d%	Feb. 17	£4 7s 7.63d%
Jan. 20	£4 3s 8.22d%	Feb. 24	£4 7s 11.85d%
Jan. 27	£4 3s 3.70d%	Mar. 3	£4 8s 10.41d%

#### Money Rates

Day to day	3½-4½%	<b>Bank Bills</b>	
7 days	4½-4½%	2 months	4½-4½%
<b>Fine Trade Bills</b>		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

#### Foreign Exchanges

New York	2.70½-¾	Frankfurt	11.08½-¾
Montreal	2.74½-¾	Milan	173½-¾
Amsterdam	10.10½-11½	Oslo	19.97½-¾
Brussels	139.47½-48½	Paris	13.68½-69
Copenhagen	19.31½-¾	Zürich	12.04½-¾

#### Gilt-edged (revised List)

Consols 4%	64½	Funding 3% 59-69	82½
Consols 2½%	42½xd	Savings 3% 60-70	79½
Conversion 5½% 1974	95½	Savings 3% 65-75	71½
Conversion 5% 1971	92½	Savings 2½% 64-67	84½
Conversion 3½% 1969	84½	Trea'y 5½% 2008-12	91xd
Conversion 3½%	55½xd	Treasury 5% 86-89	88½
Exchequer 5½% 1966	98½	Treasury 3½% 77-80	72½
Funding 5½% 82-84	95½	Treasury 3½% 79-81	71½
Funding 4% 60-90	80½	Treasury 2½%	41½
Funding 3½% 99-04	62½	Victory 4%	95½
Funding 3% 66-68	83½	War Loan 3½%	57½

# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Maintenance Relief: Insurance Moneys

SIR, - In view of your interest in the question of maintenance claims and insurance receipts we think that as a matter of courtesy we should inform you as follows.

On July 1st, 1960, we submitted a maintenance claim to a London District Inspector, disclosing the fact of, but otherwise ignoring, insurance receipts and in subsequent correspondence we took considerable trouble to emphasize our views and the fact that they had your support.

On September 7th, 1960, we wrote to the Inspector that we were not content to have the considered confirmation of the Editor of *The Accountant* turned down without full satisfaction after reference to a higher authority.

On October 21st, 1960, the Inspector wrote us four full pages and finished up by refusing to put the case to his head office as it was against his practice! In other words, sir, your considered articles on wide points of principle which could so easily be settled or at least applied on a common basis, were not even worth putting to head office.

On November 26th, 1960, you published a further letter from us and a letter from 'W.J.C.' who quoted the exact wording of a Revenue letter stating that the Board would now allow expenditure on repairs despite reimbursement by an insurance company. This seemed so definite that you added a comment that 'our' Inspector seemed to be out of touch with his own head office.

On December 1st, 1960, we wrote to the Chief Inspector complaining that the London District Inspector had not only refused a repayment but that in spite of quoted letters and articles in *The Accountant* he had also refused to refer our case to his head office.

On December 23rd, 1960, the Chief Inspector wrote us that the District Inspector had expressed views in accordance with those held by the department in the past, but that modified practice was under consideration.

Now on February 18th, 1961, our repayment has been made as claimed but without any comment at all.

It seems to us that hard-pressed accountants must either accept the arbitrary ruling of some local Inspectors or spend endless and ill-spaced time in long and detailed correspondence before getting fair play which could and should have been given in the

first place - and then the authorities complain about pressure of work and delay generally! Even with head office, we have noticed a tendency to support local Inspectors under all circumstances; so what with one thing and another many otherwise willing accountants are left wondering whether it is worth trying to continue with the friendly co-operation which they have always tried to maintain. If it were not for the reciprocation of many Inspectors, the accountants' world would indeed be a hard one.

Yours faithfully,  
P.C. & CO.

## Decimal Currency

SIR, - I was very glad to see Mr King-Farlow's letter (March 4th issue), as I share his view that decimalization of our currency should at least be deferred. My own opinion goes much further, and I cannot agree that the advantages of making the change are 'widely known'.

About ten days after the Institute's memorandum to the Chancellor on decimalization of the currency appeared in your pages (February 11th issue), I addressed, in an emergency, a discussion group, of which I am a member, on the subject of the memorandum.

The discussion in the group did not reveal any widespread knowledge of the arguments for decimalization, though it seemed to be accepted that our system was outmoded. On the other hand, there was a measure of agreement with my view that the Institute's memorandum was 'smug and superficial'.

In its opening sentence the memorandum states that the 'advantages of possessing a decimalized currency are widely known', but since they are not stated I am reminded of Macaulay's 'what schoolboy of fourteen is ignorant etc.?' Perhaps we are expected to infer the truth of the statement from the fact, which was recited, that most of the Commonwealth countries, which had not previously adopted a decimal currency, were about to do so. The remark that our 'currency system (had been) abandoned by every other commercially advanced nation' is, however, scarcely true since, so far as I am aware, the £ s d currency has never been used by any nation but our own and the Commonwealth countries. The use of that system does not seem to have greatly interfered with this country's expansion and prosperity in the nineteenth century, though the decimal system had then been adopted on the continent of Europe and in America.

The rest of the memorandum is largely devoted to a recital of the disadvantages - *inter alia*, mentioning that the effect would be 'profound' (is that an overstatement?), and that the cost would be 'heavy'. No estimate is offered of that cost but figures varying between £150 million and £500 million have been mentioned elsewhere. The memorandum suggests that traders might have their burden lightened by Government grants but that will not prevent the full burden from being borne by the community as a

whole. Can it be shown that so large an amount of the country's productive effort will yield, in the long run, a commensurate return or, of even more importance, that the community can afford to invest so much at this time in what at best must be a speculation? The memorandum makes no comment whatsoever on this point.

The memorandum offers to us as an example the recent action of the Government of South Africa in introducing the Rand as its new unit of currency. Politically and for other reasons, that was not, I suggest, a very happy choice, and that aside, where is the advantage of having to print 'R.0.50' for '5/-'?

The fact that both Mr King-Farlow and I feel as we do, is at least some evidence, sir, against the further statement in the memorandum that the 'advantages . . . are . . . not seriously disputed'.

This is not a full analysis of the memorandum, but I submit that I have been able to indicate that it is overwritten, that it makes little attempt to present a proper case and that it glosses over such important considerations as the probable cost of a change.

I suggest that it is greatly to be regretted that on so important a matter the Institute should not have made its recommendation in a more dignified and reasoned manner.

Now as to the recommendation itself – I concur most warmly in Mr King-Farlow's view that the advantages of decimalization 'are entirely outweighed by the disadvantages'. The cost of a change has been referred to above, the memorandum also refers to its inconveniences – these are facts. But where are the advantages? The Arabs are credited with the invention of our present system of numerals, but if they had not been hampered by the fact that most of us are born into this world with 'ten little fingers (digits) and ten little toes' they might have given us a duodecimal system which, among other advantages, provides five whole fractions ( $\frac{1}{2}$ ,  $\frac{1}{3}$ rd,  $\frac{1}{4}$ ,  $\frac{1}{6}$ th,  $\frac{1}{12}$ th) instead of three only in the decimal system ( $\frac{1}{2}$ ,  $\frac{1}{5}$ th,  $\frac{1}{10}$ th). Of course, quarters are known and used universally, but in decimalized currencies they have to be expressed as 25 with the dot in the appropriate place. We have the advantage with our shilling of having a duodecimal system (were our forefathers such fools?) and a quarter of a shilling is, of course, 3d, but now try putting 2d into money of a decimal currency! Of course, for the purpose of calculations financial data processors [*sic*] can express any given amount of our currency in decimal terms if the necessity arises – all accountants do it frequently – but that does not mean that decimalization would improve our currency in any particular, and I submit that it would not do so in fact.

Even in international currency dealings quotations are not made in decimals when fractions of the smallest whole unit are needed, but in a progression of 2, i.e.  $\frac{1}{2}$ ,  $\frac{1}{4}$ ,  $\frac{1}{8}$ th,  $\frac{1}{16}$ th,  $\frac{1}{32}$ nd and  $\frac{1}{64}$ th. Few people have to think faster or to make quicker use of their calculating machines than dealers in the foreign exchange market, and they would surely be expected

to use methods which would give them the answers most quickly and easily, but they do *not* use decimals.

Despite the disadvantages of a decimal currency, of which I have given some indication, they might be outweighed if an international monetary system could be established. That might have been possible when the Western currencies had a gold backing, but those days have gone and are unlikely to return. In the absence of an international currency, universally accepted, I submit that the Institute has not made out a case for a change.

The metric system of weights and measures gives rise to different considerations since, apart from changes due to atmospheric conditions, a piece of cloth will be the same width wherever in the world it happens to be, a plank of wood will always be the same thickness and a given quantity of liquid will occupy the same space and have the same weight. The element of universality does apply to these factors, and I would accept it that a case for adopting the metric system could be made if it were to be universally adopted as it has been in the scientific world. Even there, however, the one system of measurement, which is already universally accepted by the 'commercially advanced nations', is on a duodecimal basis, namely, the clock, with its twelve-hour cycle – it is also accepted that there are ninety degrees in a right-angle, which is the basis for all navigational calculations. However that may be, if no currency can be universally adopted, a monetary system is something primarily for the convenience of the inhabitants of the country in which it is in use, and at the risk of being called 'smug' myself, I believe it would be foolish to abandon what we have.

Yours faithfully,

BRYAN J. M. BOYS, F.C.A.

London, WCI.

### Problems in Accounting Treatment

SIR, – I should like to avail myself of the courtesy of your correspondence columns to obtain your readers' views on the following two points:

(a) A section in the 'Administration and finance' part of an Act governing the operation of a social insurance fund provides as follows:

'Any moneys forming part of the social insurance fund may from time to time be invested by . . . in accordance with such directions as may be given by . . .'

Part of the fund moneys are expended on the purchase of a freehold plot of land for the purpose of constructing thereon office premises for use as the administrative headquarters of the fund.

Could this purchase properly be considered an 'investment' within the meaning of the section quoted above and also having regard to the normal practice of similar funds known to any of your readers? It might help readers, in considering this point, to know that originally the above-quoted section restricted investment of the fund moneys to trustee securities

but this was subsequently deleted to enable the acquisition of redeemable debentures in certain public utility undertakings.

In my opinion, from an accounting point of view, the plot of land is a fixed asset of the fund and not an 'investment' as it does not satisfy the test of easy realizability nor does it represent a temporary disposition of the surplus moneys of the fund in a marketable form until they may be required to meet expenditure.

(b) A statutory commission is established for the control of grain, the regulation of its price, importation and local consumption and of matters connected

therewith – all in public interest. The 'Accounts and Audit' section of the relative Act lays down that the commission shall furnish to Government annually:

'... a report upon the administration of the affairs of the commission for the previous year, together with a balance sheet and a statement of the revenue and expenditure of the commission duly audited...'

Would it be in accordance with modern accounting terminology to style the above annual statement of revenue and expenditure as a 'trading and profit and loss account'?

Yours faithfully,

Nicosia, Cyprus.

R. Z. TATAR, B.A., A.C.A.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, March 1st, 1961, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr S. J. Pears, President, in the Chair; Mr P. F. Granger, Vice-President; Messrs E. Baldry, O.B.E., C. Percy Barrowcliff, W. L. Barrows, T. A. Hamilton Baynes, P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, W. G. Densem, S. Dixon, W. W. Fea, Sir Harold Gillett, Bt., M.C., Messrs J. Godfrey, G. G. Goult, L. C. Hawkins, J. S. Heaton, D. V. House, J. A. Jackson, H. O. Johnson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., E. N. Macdonald, D.F.C., R. McNeil, R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., C. U. Peat, M.C., F. E. Price, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, K. G. Shuttleworth, D. Steele, C. M. Strachan, O.B.E., J. E. Talbot, A. H. Walton, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright.

### Death of Mr A. D. Walker, F.C.A.

The Council received with much regret the report of the death of Mr A. D. Walker, F.C.A., Liverpool. Mr Walker was elected to the Council in 1948 and was a past Chairman of the Library Committee and Chairman of the District Societies' Committee.

### Welcome to a New Member

The President welcomed Mr J. D. Russell, M.A., F.C.A., who was attending for the first time as a member of the Council.

### Approved Auditors – Scale of Fees

As a result of representations on behalf of the following bodies, namely, The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland, The Association of Certified and Corporate Accountants and The Institute of Chartered Accountants in Ireland, the Treasury have agreed that the maximum fees to be charged by Approved Auditors for auditing shall be revised, the other conditions of appointment remaining unchanged.

The new scales, which come into effect as from July 1st, 1961, are set out below.

(a) Societies registered under the Industrial and Provident Societies Acts and societies or branches of societies registered under the Friendly Societies Acts, excluding Collecting Societies, i.e. Friendly Societies that conduct industrial assurance business:

	Guineas
Where receipts and payments added together do not exceed £100 .. .. .	1
Exceeding £100 but not exceeding £500 .. .. .	3
Exceeding £500 but not exceeding £2,500 .. .. .	5
Exceeding £2,500 but not exceeding £4,000 .. .. .	7
Exceeding £4,000 but not exceeding £6,000 .. .. .	9
For every £2,000 or part thereof in excess, up to £20,000 .. .. .	3
Above £20,000, fee to be fixed by special arrangement with the society or branch.	

### (b) Collecting Societies:

Where receipts and payments added together do not exceed £1,000 .. .. .	7
For every £1,000 or part thereof in excess, up to £20,000 .. .. .	3
Above £20,000, fee to be fixed by special arrangement with the society.	

### Notices of Assessment: Schedules E and A

On the report of the Parliamentary and Law Committee, following consideration of a memorandum from the Taxation and Research Committee, the Council decided to submit to the Chairman of the Board of Inland Revenue a memorandum proposing improvements in the forms of notice of assessment under Schedules E and A.

### Appointments to Committees

The Council made the following appointments to Committees:

Mr J. H. Mann – Disciplinary Committee; Mr J. D. Russell – Finance Committee; Chairman of the Articled Clerks Committee – *ex officio* member of the Public Relations Committee.

**Chairman and Vice-Chairman of  
Finance Committee**

The Secretary reported the appointment of Sir Harold Gillett and Mr D. A. Clarke as Chairman and Vice-Chairman respectively of the Finance Committee.

**Examination Results – November 1960**

The results of the Institute examinations held in November 1960, were as follows:

		Passed	Failed	Total
Preliminary	..	81	137	218
Intermediate	..	1,051	1,097	2,148
Final	..	797	807	1,604
		<u>1,929</u>	<u>2,041</u>	<u>3,970</u>

(The names of the successful candidates and the recipients of prizes and certificates of merit were published in *The Accountant* dated February 11th, 1961.)

The results of the examinations conducted by the Institute as examinations of The Society of Incorporated Accountants were as follows:

	Passed	Failed	Total	Completing Final
Final:				
Part I only*	.. 19	10	29	1
Part II only	.. 92	40	132	92

\* Includes two candidates who sat for both parts and passed in Part I only.

(No honours certificates were awarded. The names of successful candidates were published in *The Accountant* dated February 11th, 1961.)

**Exemption from the Intermediate Examination**

*Graduates who have followed a degree course approved by the Council under bye-law 62*

Under bye-law 85 (a), the Council may grant exemption from the Intermediate examination to an articulated clerk who has graduated from a United Kingdom university after following a degree course approved by the Council under bye-law 62.

Some articulated clerks who are eligible to apply for exemption prefer not to submit a claim for such exemption but to sit in order to gain experience of a professional examination and to test their progress.

The Council has, however, decided that in the absence of exceptional circumstances:

- an articulated clerk who applies for and is granted exemption from the Intermediate examination under bye-law 85 (a) will not be permitted to sit the Intermediate examination, nor will he be permitted to withdraw such exemption in order to sit;
- an articulated clerk who, although eligible, has not made an application under bye-law 85 (a) and has sat and failed the Intermediate examination will not be granted exemption from that examination.

**Institute Staff**

Mr Geoffrey Andrew Holmes, F.C.A., has been appointed assistant editor of *Accountancy* as from March 1st, 1961.

**Registration of Articles**

The Secretary reported the registration of 308 articles of clerkship during the last month, the total number since January 1st, 1961, being 542.

**Admissions to Membership**

The following were admitted to membership of the Institute:

§Ferguson, David Clive Emerson, A.S.A.A., a1961; 53 Sixth Street, Lower Houghton, Johannesburg.  
§Irving, Thornycroft Jonathan, A.S.A.A., a1961; 30 Reform Avenue, Melrose, Johannesburg.  
§Thompson, Harold Gregor, A.S.A.A., a1961; 4B Nellmapius Drive, Irene, Transvaal.

**Fellowship**

The Council acceded to application from fifteen associates to become fellows under clause 6 of the supplemental Royal Charter.

**Incorporated Accountant Member Becoming  
an Associate**

The Council acceded to an application from the following incorporated accountant member for election as associate under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

Weeks, Raymond Cyril Alexander, F.S.A.A., aS1940; with Edmonds & Co, 34 Carisbrooke Road, Newport, Isle of Wight.

**Members Commencing to Practise**

The Council received notice that the following members had commenced to practise:

Allman, Geoffrey Colin, F.C.A., a1950; Herbert Pepper & Rudland, Waterloo House, 20 Waterloo Street, Birmingham, 2.  
Batchelor, Horace George, F.C.A., a1948; 39 Fairholme Avenue, Romford, Essex.  
Bookatz, Arnold, A.C.A., aS1954; Arnold Bookatz & Co, 2 Fletching Road, Clapton, London, E5.  
Broom, Robert Harold, A.C.A., a1959; 'Pegasus', Church Street, Charlton Kings, Cheltenham.  
Donnelly, Francis, A.C.A., a1960; J. & F. Donnelly, 160 Elgin Street, Bolton.  
Donnelly, John, A.C.A., a1958; J. & F. Donnelly, 160 Elgin Street, Bolton.  
Fletcher, Barrie William, A.C.A., a1960; White, Withers & Co, 3 Endwell Road, Bexhill-on-Sea, and at Hastings and London.  
Griffiths, Wynne, A.C.A., a1951; Kinnear Webb & Sunley and S. E. Parish & Co, 49 Queen Victoria Street, London, EC4.  
Hardcastle, Trevor, A.C.A., aS1954; France & Co, Westminster Bank Chambers, Yorkersgate, Malton, Yorks, and at Leeds.  
Ireland, Sydney Stephen, F.C.A., aS1948; 8 Coulsdon Rise, Coulsdon, Surrey.

§ means 'incorporated accountant member'.

a indicates the year of admission to the Institute.

aS indicates the year of admission to The Society of Incorporated Accountants.

Firms not marked † or \* are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three institutes of chartered accountants in Great Britain and Ireland.

\* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three institutes of chartered accountants in Great Britain and Ireland.

Jackson, George Francis, A.C.A., a1957; Allen Edwards & Co, 7 Greenfield Crescent, Edgbaston, Birmingham, 15, and at Coventry.

Keane, Maurice, A.C.A., a1960; 22 Lealand Road, South Tottenham, London, N15.

Lee, Robert Anthony, A.C.A., a1957; Rushworth, Ingham & Rhodes, 45 Well Street, Bradford, 1.

Littman, Peter Walter, A.C.A., a1958; P. W. Littman & Co, 78 New Bond Street, London, W1.

McBride, Denis, A.C.A., a1958; 8 Carrfield Avenue, Woodsmoor, Stockport.

Manton, Stanley Cyril, A.C.A., aS1954; 'Denbrae', Brady Road, Lyminge, Folkestone.

Moss, David George Wood, M.A., A.C.A., a1957; Watson, Sowter & Co, 25 Iron Gate, Derby.

Oldbury, William David, A.C.A., a1959; 8 Queensbury Avenue, Wilford Hills, Nottingham.

Owen, John Tudor, A.C.A., aS1951; R. G. Cotter & Co, 54 Hamilton Square, Birkenhead.

Patterson, Kenneth, A.C.A., a1957; Joy, Price & Co, 76 Jesmond Road, Newcastle upon Tyne, 2.

Reilly, Sidney Hugh, A.C.A., a1958; 28 St Mary's Place, Newcastle upon Tyne, 1.

Shapland, Richard Guy, A.C.A., a1960; Lodge & Winter, Midland Bank Chambers, Falmouth.

Short, Maurice Elvyn, F.C.A., a1947; David J. Jones & Co, 12 St Ann's Square, Manchester, 2.

Smallman-Raynor, Ernest John, A.C.A., aS1954; \*Roberts, Raynor & Co, 84 High Road, Beeston, Notts.

Smith, Basil Benjamin, A.C.A., a1951; Cassleton Elliott & Co, 4/6 Throgmorton Avenue, London, EC2.

Smith, Robert Eric, A.C.A., aS1952; \*Wild & Smith, 64 Seymour Grove, Old Trafford, Manchester, 16.

Taylor, George Lewis, A.C.A., a1951; †Armitage & Norton, Station Street Buildings, Huddersfield.

Terras, Antony Michael, B.A.(COM.), A.C.A., a1958; Swanwick, Terras & Co, and Abbott & Son, 64 Cross Street, Manchester, 2.

Thomas, Kenneth Michael, A.C.A., a1958; 41 Slayleigh Avenue, Sheffield 10.

Thompson, Walter James, A.C.A., a1952; Kenneth V. R. Heaven & Co, 146A Broad Street, Five Ways, Birmingham, 15.

Tiffen, Ronald John, A.C.A., a1959; 60 Hyde Road, Ladywood, Birmingham, 16.

Watkins, Robert Walter, A.C.A., a1954; Attlee, Edge & Lambert, 163 Hamstead Road, Handsworth, Birmingham, 20.

Whitehead, John Phillip, F.C.A., a1948; †Armitage & Norton, Station Street Buildings, Huddersfield.

Wilde, Peter Geoffrey, F.C.A., aS1949; †Bishop, Fleming & Co, 50 The Terrace, Torquay.

### Re-admission to Membership

Subject to payment of the amount required by the Council, one former member of the Institute was re-admitted to membership under bye-law 38. One

application under clause 23 of the supplemental Royal Charter for revocation of exclusion was refused.

### Changes of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

Howard, Michael, to Howard, Michael Jonathan.  
Smith, John Stewart to Stewart-Smith, John.

### Resignations

The Council accepted the resignations from membership of the Institute of:

§ Baines, Vivian Muspratt, A.S.A.A., a1959; c/o Barclays Bank D.C.O., 1 Cockspur Street, London, SW1.  
Ball, George Herbert, D.S.O., M.C., F.C.A., a1927; 'Ramblers', Dockenfield, near Farnham, Surrey.  
Horner, Harold Wallington, F.C.A., a1908; 'Whiteshoots', Bourton-on-the-Water, Glos.

### Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Ernest Baldwin, F.C.A., Sheffield.  
„ Archibald Victor Barnett, F.C.A., London.  
„ Herbert Brooke, F.C.A., Arnside, Westmorland.  
„ Harry Bowker, F.C.A., Sheffield.  
„ Tuan Hajireen Burah, F.C.A., Colombo.  
„ Harry William Carter, F.C.A., Barnsley.  
„ Samuel Twentymann Coulsdon, F.C.A., West Hartlepool.  
„ George Reid Crooks, C.B.E., F.C.A., Sevenoaks.  
„ Mark Calrow Dalgleish, F.C.A., Truro.  
„ John Alfred Ditton, F.C.A., London.  
„ Cecil Raymond Dodd, F.C.A., Nottingham.  
„ William Michael Goffin, F.C.A., Mansfield.  
„ Vernon Whittenbury Kirkby, F.C.A., Scarborough.  
„ Henry William McQuitty Hembry, F.C.A., London.  
„ David Bernard Jenkins, F.C.A., Tipton.  
„ Harold Francis Legg, F.C.A., London.  
„ Stanley Francis Nevill, A.C.A., London.  
„ Frederick Murray, F.S.A.A., Salisbury, Southern Rhodesia.  
„ John Clegg Mitton, F.C.A., Sèvres, France.  
„ John Abel Platt, F.C.A., Bridlington.  
„ John Reed, F.C.A., South Shields.  
„ Kenneth Sheard, F.C.A., Stockport.  
„ Andrew Norman Dudley Smith, F.C.A., London.  
„ John Stewart-Smith, F.C.A., Manchester.  
„ Martin Sylvester, F.C.A., Stourbridge.  
„ Thomas Henry Tresise, F.C.A., Norwich.  
„ Alexander Dalrymple Walker, F.C.A., Liverpool, Member of the Council.  
„ Norman Egerton Harry Woodhouse, F.C.A., St Austell.  
„ Frederick Robert Woodward, O.B.E., F.S.A.A., Truro.

## FINDING AND DECISION OF THE DISCIPLINARY COMMITTEE

*Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on February 1st, 1961.*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a Fellow of the Institute had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of clause 21 of the supplemental Royal Charter in that in a letter which was published in a daily newspaper he permitted or pro-

cured or allowed the name of his firm to be mentioned, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved and ordered that the member be admonished but, having regard to the special circumstances of the case, the Committee decided that his name should be omitted from the publication of the Finding and Decision.

## MEMBERS' LIBRARY

*The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:*

The Antitrust Laws of the United States of America: a study of competition enforced by law; by A. D. Neale. Cambridge. 1960. (C.U.P., 45s.)  
The District Auditor; by L. M. Helmore. 1961. (Macdonald & Evans, 25s.)  
Executive Decisions and Operations Research; by D. W. Miller and M. K. Starr. (Englewood Cliffs, N.J.). 1960. (Prentice-Hall, 42s.)  
An Executor's Accounts and the law relating thereto: thirteenth edition; by E. M. Taylor, F.C.A., S. C. Hough & O. Griffiths. 1961. (Textbooks, presented, 30s.)  
Farm Management; by J. Wyllie: third edition. 1960. (Spon, 42s.)  
Industrial Editing: a handbook on house journals; by B. Smith. 1961. (Pitman, 27s 6d.)

Irish Income Tax and Corporation Profits Tax; by H. A. R. J. Wilson, F.C.A., and F. N. Kelly, F.C.A. 1957. Third supplement. 1960. (H.F.L., presented, 2s 6d.)  
Outlines of Local Government of the United Kingdom; by J. J. Clarke: nineteenth edition. 1960. (Pitman, 25s.)  
The Principles of Agency; by H. G. Hanbury: second edition. 1960. (Stevens, 35s.)  
Studies in Business Organization: a supplement to 'Business Enterprise'; edited by R. S. Edwards and H. Townsend. 1961. (Macmillan, 25s.)  
Terrell and Shelley on the law of Patents; by T. Terrell: tenth edition by K. E. Shelley. 1961. (Sweet & Maxwell, 126s.)

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND MEETINGS OF THE COUNCIL

Special and ordinary meetings of the Council of The Institute of Chartered Accountants in Ireland were held in Belfast on February 17th.

### Attendance

The President, Mr G. E. Cameron, was in the Chair and there were also present:

Messrs A. E. Dawson, *Vice-President*; H. E. A. Addy, John Bacon, A. S. Boyd, G. A. P. Bryan, Frank Cleland, F. F. Dempsey, James Graham, N. V. Hogan, John Love, R. E. McClure, R. J. Neely, R. P. F. Olden, H. W. Robinson, James Walker and D. McC. Watson, with the *Secretary* and the *Joint Secretary and Treasurer* in attendance.

Apologies for absence were submitted from Mr M. M. Connor and Mr G. F. Klingner.

### Fellowship

The following Associates were elected Fellows of the Institute:

Butler, Thomas Patrick (Dublin).  
O'Leary, John Declan (Cork).

### Associateship in Practice

The following members were admitted to practice:

Billington, Raynor William (London).  
Boyd, Alan Latemar (Belfast).  
Carson, William Montgomery (Belfast).  
Howard, Thomas Lennox (Belfast).  
Kerr, James Wright (Ballymena).  
Sheridan, Hugh (Limerick).

### Membership

The following candidates who were successful at the Institute's Final examination held in November 1960 were admitted to membership as Associates:

#### (a) In practice

McGuigan, Patrick Joseph (Limerick).

#### (b) Not in practice

Bennett, Anthony Joseph (Dublin); Bourke, Patrick Declan (Dublin); Bradley, Brendan (Chalfont St Peter, Bucks); Campton, James Derek (Bangor); D'Arcy, Anthony Edward (Limerick); Dean, Neil Francis (Dublin); Dunlop, Henry Bryan (Bangor); Fitch, William (Belfast); FitzGerald, Dermot (Limerick); Griffin, Brian Eamon (Dublin);

Kilroy, Howard Edward (Dublin); Lowe, Harold Francis (Dublin); McGuinness, Cormac Francis (Dublin); Magowan, Denis George (Belfast); O'Sullivan, Colman (Dublin); Ronaghan, John Joseph Barkey (Monaghan); Ryan, Denis Kevin Vincent (Dublin); Skillen, Victor Edward (Belfast); Wong, Robert Kin Thong (Malaya).

The following candidates who were successful at the Final examination held in November 1960 under the Syllabus of The Society of Incorporated Accountants (in voluntary liquidation) were admitted to membership as Associates not in practice:

Balmer, Walton Campbell (Belfast); Blanc, Patrick Joseph (Cork); Hunter, Derek James Patrick (Dublin); Irvine, John (Belfast); Kenna, Roderick (Dublin); Lyons, Patrick John Paul (Dublin); McGowan, Seamus S. (Dublin); Nagle, Sarah Agnes (Dublin); Norris, Michael Carol (Dublin); O'Brien, John Joseph Laurence (Dublin).

At a short ceremony the President welcomed a number of the new Associates to whom he presented certificates of membership.

### Articles of Clerkship

Approval was given to three applications seeking reduction in the period of service under articles on the grounds of age and service under the provisions of bye-law 80.

### Committees

Reports were received from the following committees: Finance and General Purposes; Examination; Education and Training; Parliamentary and Law; Taxation and Policy.

### Examinations

It was noted that the dates arranged for the examinations in May and June 1961 at centres in Belfast and Dublin were as follows:

*May 9th to 12th:* Preliminary examination, Final examination, Institute examination - Parts II and IV.

*May 30th to June 2nd:* Society Final examination which is being conducted in Ireland by the Institute.

*June 1st to 2nd:* Institute examination - Parts I and III.



# THE ACCOUNTANT'S INFLUENCE IN INDUSTRY

## SHEFFIELD CHARTERED ACCOUNTANTS' DINNER

There are some difficult times ahead for the export trade, and there was need for greater co-operation between engineers and accountants, said Mr S. J. Pears, F.C.A., President of The Institute of Chartered Accountants in England and Wales, at the annual dinner of The Sheffield and District Society of Chartered Accountants, held in the Cutlers' Hall, Sheffield, on Thursday of last week.

Responding to the toast to the Institute proposed by Mr Justice Wrangham, judge of the Sheffield Assizes, Mr Pears mentioned that it was the day on which the final steps had been taken to complete the denationalization of all the major companies, except one, in the steel industry in that the preference shares and debentures in these companies were being offered to the public. Sheffield had, of course, a large stake in the steel industry and he thought it had done a wonderful job since the war.

### Value of Accountants' Realism

It was the duty of accountants to stimulate and encourage industry and he thought they could play an even greater part in the steel and other industries than they did at present. There was a very strong case for closer co-operation between engineers and accountants, particularly in the consideration of and the progressing of capital schemes. The combination of the optimism of the engineers with the pessimism—or realism—of the accountant, when put to the proper use, results in a realistic forecast of capital expenditure and future revenue.

The accountant could use his influence in matters which had a great effect on the total costs, e.g. in seeing that designs were finalized at an early stage, that orders were placed as soon as possible, that contract conditions were settled before the commencement of the work, or shortly afterwards, that the number of changes in the scheme were reduced to an absolute minimum, that the delivery of plant and the construction were co-ordinated and that the natural desire to build a little better than originally intended should be avoided. The lack of attention to these factors which resulted in open contracts and large claims particularly on the civil engineering were the reasons that estimates were so often exceeded. The accountant could also see that proper provision was made for contingencies, spares for the plant, building for stores and offices; provision must also be made for losses which would be incurred in running-in the plant as it was always some time before it became profitable. They can assist with the control of capital expenditure during construction; they can assist in the estimates of revenue, with particular reference to the suggested yields and the effects of activity.

There was another field in which the accountant's skill could be utilized, namely, in price fixing. We had passed from a sellers' market to a buyers' market and difficulties in selling would have to be faced both at home, and even more so, abroad. The accountant's skill should be employed in producing correct costs and in advising management of the make-up of costs, prime costs, variable overheads and fixed overheads. The accountant could be consulted as to when it paid to

accept orders at something less than the full cost, a figure exceeding prime costs and variable overheads so that some contribution was made towards fixed overheads and the accountant could also provide the warning that if too many orders were accepted on this basis, the works could be filled with unprofitable orders with the consequent inevitable result of heavy losses.

Mr Pears ended his speech with a story, the moral of which was that if clients wanted efficient service and happy experiences, they must be prepared to pay adequate fees.

In a witty speech lampooning accountancy, Sir Geoffrey Wrangham said, amid laughter, that many had considered figures easy to understand 'until chartered accountants got at them'.

### Sixth Largest City

Alderman A. V. Wolstenholme, J.P., Deputy Lord Mayor of Sheffield, responding to the toast of 'The City and Trades of Sheffield', said he was proud of the city. He deprecated a recent statement reported to have been made by a public speaker that he 'almost wished he could be struck blind on the spot' when faced with the city's grime and dirt.

The city was not as grimy as the statement made out. Clean air was making a lot of difference, and the zone was being extended as quickly as possible.

Sheffield had built 20,000 houses since the war, and there were 39,000 acres of parkland. The city comprised 300,000 acres. It was now the sixth largest city in the country—beaten to fifth place by Leeds—and now wished to take in another 20,000 acres from Derbyshire which were needed for industrial development; if they were going ahead with envisaged schemes they had to do something in the way of expansion.

The toast was proposed by Mr Raymond C. Glendenning, B.COM., F.C.A., the B.B.C. sports commentator, who, as a former incorporated accountant, is now a member of the Institute. Alluding to his qualifications Mr Glendenning commented that both his Bachelor of Commerce gown and his accountancy certificate were now 'rather moth-eaten'. He referred to Sheffield as being a great city with a great tradition, 'as true as steel and as sterling as silver'.

Proposing the toast of 'The Guests', Mr J. W. Richardson, F.C.A., President of the Sheffield Society, in the chair, said he would not like to see Sir Geoffrey and his fellow judges unemployed, but on the other hand they would like to see an improvement in the ethical and moral standards which to a certain extent today were lacking. He was extremely pleased that the Society was so well linked with Sheffield University, which was well represented at that function.

Mr A. Gurney Yates, M.A., M.D., CH.B.(EDIN.), F.R.C.P.(LOND.), Past President of the Association of Physicians of Great Britain and Ireland, replied.

Mr A. G. Thomas, F.C.A., Vice-President, proposing a toast to Mr Richardson, said he was the second former incorporated accountant to become President of a district society of the Institute since integration. Throughout his life, Mr Richardson had worked hard for the profession in the locality.

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26	9th-27th Oct, 61.	405 VOCATIONAL PROGRAMMING COURSE	£45
29	28th Nov-8th Dec, 61.	315 VOCATIONAL PROGRAMMING COURSE	£45
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# Z

## MANCHESTER STUDENTS' ANNUAL DINNER

The annual dinner of The Manchester Chartered Accountants' Students' Society was held at *The Midland Hotel*, Manchester, on March 2nd, attended by 224 members and guests. The President of the Society, Mr T. W. E. Booth, F.C.A., presided.

The toast of 'The Institute of Chartered Accountants in England and Wales' was proposed by Mr H. R. Page, M.A.(Admin.), F.I.M.T.A., City Treasurer of Manchester, who extended greetings to the members of the Society from the Chartered Municipal Treasurers and reminded the company that whereas lawyers, architects and doctors all had one faculty, this was not so in the case of accountants.

He hoped the day was not far distant when there would be a closer *entente* between their respective organizations and a common Intermediate examination for all accountants.

Mr Page said that he wanted to impress on students what an interesting profession they were joining, and he hoped they would take heart when they felt bored about detail because the profession opened out in a most stimulating way as time went on. The more students applied themselves to detail, the more quickly they got on to the more stimulating part of the profession.

Mr Page humorously described as a 'downright scandal' the fact that there was not a single chartered accountant on the Manchester City Council. He personally had great confidence in the future of the City and he hoped the students would play their part in helping to develop it still further. His experience had taught him that integrity and compassion were two of the qualities most needed by accountants.

### Training for the Profession

Mr C. U. Peat, M.C., M.A., F.C.A., Immediate Past President of the Institute, who responded, said that he, like Mr Page, was looking forward to the day when all accountants would be under the banner of one organization.

The report of the Parker Committee on education and training for the profession would be one of great interest to students, Mr Peat went on, but unfortunately it was *sub judice* at the moment.

One of the difficulties of the student movement in the profession was the relationship between principal and articled clerk. This was a matter which the Council of the Institute was well aware of, and they knew the difficulties and shortcomings on both sides. When the Parker Report was published, it would be found that this was an important item in it, and it was the duty of all to do everything they could to bring home to the principal and to the articled clerk their respective responsibilities.

Mr Peat spoke of the importance of student movements in various parts of the world. Students were explosive, and although he did not suggest that student accountants should march on the Institute building and burn it down, he would suggest that the word 'apathy' which he read of in reports of student societies all over the country, should never appear again.

He urged them to take an active interest in their Thursday night lectures, and hoped they would try to change the point of view of those who took no interest in the Student Society except so far as it would help

them in their examinations. The coming generation of chartered accountants must realize that they were becoming members of a great professional family.

He congratulated the Society on almost doubling its membership in the last ten years. In 1950 it had 673 members; now its student membership was 1,100 – a very creditable performance. In his view the student section of the Institute was a very important one. Its membership was now 14,000, and last year's recruitment figure was 3,068.

### Strides in Mechanization

Dr B. V. Bowden, M.A., PH.D., M.I.E.E., Principal, Manchester College of Science and Technology, proposing 'The Manchester Chartered Accountants' Students' Society', referred to the tremendous strides in mechanization during the past few years, and said that it would make a profound difference to the operations of accountants. The speed of computers was one of the most extraordinary things of the modern world. By 1939 people calculated at about 500 times as fast as they did in the days when they did sums by writing numbers in the sand. This was the result of development over a period of 2,000 or 3,000 years, but the first generation of computers in England in 1948 or 1949 was about 500 times as fast again as in 1939. The next generation of machines now coming into use was 5,000 times as fast as the computers of 1950 or 1951; in other words, the progress in speed in the past ten years had been ten times as great as before.

It was only recently, he said, that accountants in general had availed themselves of the speed that was possible with these computing machines. For the first time in history the accountant might come into his own and be able to predict with some confidence the best way in which a business could be run and he thought that accountants would in the future play an extraordinarily important part in industry and commerce.

Mr Booth, responding, said that the membership of the Society was now 1,450. There were 1,100 students and 350 honorary members.

He welcomed the overseas students present and wished them success in their examinations. Usually, at the students' annual dinner Miss Isabel Ritchie, the assistant secretary, was the only lady present, but this year he could address the gathering as 'ladies and gentlemen' because a number of lady students were present, and he wished them success. They already had a fine example from a colleague at Llandudno who won First Place in the recent Final examination.

The Society is organized by a committee of seventeen, all of whom Mr Booth thanked for their work during the past twelve months. He had a special word of thanks for the chairman of the committee, Mr R. Hayton, who was in his second year of office; the secretary, Mr R. C. Carr; and, of course, Miss Ritchie, who, as assistant secretary, was also responsible as usual for the arrangements for the dinner.

Mr W. H. Carroll, a student member of the Committee, proposed the toast of 'The Guests', and Mr F. W. Wood, representing Manchester University Students' Union, responded.

The dinner closed with a vote of thanks to Mr Booth on the proposition of Mr Carr.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS BARTON, MAYHEW & Co announce the opening of their office in Mozambique. The manager of the branch is Mr RALPH VAZ and the address is Caixa Postal 1992, Avenida de Antonio Enes 15, Lourenço Marques.

MESSRS P. S. BUTTERS & Co, Chartered Accountants, announce that their address is now Copthall House, Copthall Avenue, London, EC2. Telephone: National 0251-2.

MESSRS DAVIE, PARSONS & Co, Chartered Accountants, announce that as from March 13th, 1961, their address will be 18 Finsbury Circus, London, EC2. Telephone: London Wall 6691.

MESSRS J. B. GARSIDE & SON, Chartered Accountants, of 18 Athol Street, Douglas, Isle of Man, announce that Mr S. J. EARNSHAW, A.C.A., who has been a member of the staff for many years, has been admitted as a partner in the firm as from March 1st, 1961. The name of the firm remains unchanged.

MESSRS GOODMAN, JONES & Co, announce that as from March 6th they have removed their offices from 77 to 61 Portland Place, London, W1. The telephone number, Langham 0083-5, remains unchanged.

MESSRS GRAY, STAINFORTH & Co, Chartered Accountants, of 85 New Cavendish Street, London, W1, announce that Mr G. D. THOMAS, A.C.A., has been admitted into partnership.

MESSRS LATHAM & Co, Certified Accountants, of Walter House, 418-422 Strand, London, WC2, announce that Mr NEVILL FRASER SHEARMAN, A.A.C.C.A., who has been with the firm for a number of years as senior qualified assistant, has been admitted as a partner as from January 1st, 1961.

MESSRS G. & J. MCBAIN, Chartered Accountants, of 11 Golden Square, Aberdeen, announce that as from March 1st, 1961, Mr JOHN MCBAIN, C.A., and Mr ERIC MCLEOD, C.A., have been admitted to partnership in the firm.

MESSRS PANNELL, CREWDSON & HARDY, Chartered Accountants, announce that the address of their Lagos office is now Bentworth House, 18 Tinubu Street, Private Mail Bag 2047, Lagos, Nigeria, and that the address of their Freetown office is now 14 Oxford Street, P.O. Box 575, Freetown, Sierra Leone.

MESSRS DAVID SMITH, GARNETT & Co and WADE & Co, of 61 Brown Street, Manchester 2, and Messrs JONES, CREWDSON & YOUATT, of 7 Norfolk Street, Manchester 2, announce that their practices will be

amalgamated as from April 1st, 1961. The eleven partners of the present firms will continue in the new firm which will practise under the name of GARNETT, CREWDSON & Co. Mr RICHARD STEWART BODDINGTON, M.A., A.C.A., who served his articles with Messrs JONES CREWDSON & YOUATT, will be admitted a partner of GARNETT, CREWDSON & Co on the same date. Pending removal to larger offices, the practice will be carried on from both existing addresses.

## Appointments

Mr Ralph C. Pulley, F.C.A., has been appointed a director of Champion Sparking Plug Co Ltd (English company).

Mr A. F. Thomas, F.C.A., has been appointed an assistant managing director of the Delta Metal Co Ltd.

Mr James Lamb, A.C.A., chief accountant of The Brooke Tool Manufacturing Co Ltd, has been appointed director and chief accountant of Brooke Tool Automation Ltd.

Mr J. D. Slater, A.C.A., has been appointed a director of Transport Equipment (Thornycroft) Ltd, Thornycroft (Australia) Pty Ltd and Thornycroft (South Africa Pty) Ltd.

## IN PARLIAMENT

### Income Tax: Schedule A

MR NABARRO asked the Chancellor of the Exchequer what steps he is taking to ascertain why less than 150 out of every 1,000 owner-occupiers of dwelling-houses are currently claiming maintenance relief on income tax Schedule A.

MR SELWYN LLOYD: None; but the official estimate is rather under 10 per cent.

*Hansard*, Feb. 28th, 1961. Written Answers. Col. 105.

### Income Tax: Remissions

MR McLAREN asked the Chancellor of the Exchequer if he will describe the types of case in which tax is remitted by the Commissioners of Inland Revenue on grounds of equity.

Sir E. BOYLE: These are largely cases in which the tax charged in an assessment cannot be reduced under provisions of the Income Tax Acts (because the assessment has become final and conclusive) but a smaller amount would have been chargeable under the law if all the relevant facts had been known at the time when the assessment was made. Where it appears to the Commissioners that it would be inequitable in all the circumstances of the particular case to enforce payment of the full amount, the difference is remitted.

*Hansard*, March 2nd, 1961. Written Answers. Col. 148.

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## REVALUATION OF ASSETS

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**Taxation: Audit and Accountancy Fees**

Mr NABARRO asked the Chancellor of the Exchequer what is the annual cost to the Revenue of allowing all corporations and businesses of every kind to charge against profits for income tax and profits tax purposes the cost of audit fees; and what would be the cost to the Revenue in a full year of allowing persons and individuals to charge against assessments to income tax and surtax an amount for accountancy fees when proven, in a maximum of one per centum of gross income, taking into account economy in Inland Revenue labour when settling accountant-certified tax papers for persons and individuals.

SIR E. BOYLE: No figures are available to answer either part of the question.

*Hansard*, March 6th, 1961. Written Answers. Col. 13.

**RESTRICTIVE PRACTICES**

The Board of Trade's annual report on the operation of the Monopolies and Restrictive Practices Acts, 1948 and 1953,<sup>1</sup> was published last Tuesday. The report includes a summary of the work and expenditure of the Monopolies Commission during 1960.

**ACCOUNTING FOR STOCK-IN-TRADE****Sir Thomas Robson's Comments  
at Cardiff Dinner**

Speaking at the recent annual dinner in Cardiff of the South Wales and Monmouthshire Society of Chartered Accountants, Sir Thomas Robson, M.B.E., M.A., F.C.A., a Past President of the Institute and a member of the Council, commented upon the Council's recent Recommendation on the treatment of stock-in-trade in accounts.

He said that it was vital that all stock belonging to a business should be taken into account and that its amount should reflect the use of recognized bases used consistently. The circumstances of businesses and the factors affecting their stocks differed so greatly that no one standardized basis could be used for all businesses. But this argument, he emphasized, must not be used as a ground for chopping and changing from one basis to another without real reason; still less would it justify leaving stock out of account in one year in order to reduce the profit of that year and thus increase the profit of a later period.

Anyone who disregarded these principles, declared Sir Thomas, did so at his peril, for he robbed the accounts of their utility as an instrument of management control over the business and deprived its shareholders of reliable information which was their due.

All concerned needed to remind themselves from time to time that matters of principle were involved. It was for this reason, he said, that the Council had recommended that every annual set of accounts should indicate concisely the manner in which the amount carried forward for stock was computed, or, if this

<sup>1</sup> H.M.S.O. Price 6d, by post 8d.

were not practicable, should contain a positive statement that the amount shown for stock had been determined for the whole of the stock on hand by methods which were appropriate in the circumstances of the business and had been used consistently. The Council had made a somewhat similar recommendation to the Jenkins Committee.

This was an experiment, said Sir Thomas, and it remained to be seen how far it succeeded in practice; it could only do so if accountants, on their part, used all their influence to secure that the underlying principles of the Recommendation were carried out by every business with which they were concerned. If this were done, a valuable service for the commercial community would be performed.

**CONFERENCE ON OFFICE MANAGEMENT**

The Industrial Welfare Society has arranged a two-day conference for office executives, accountants and company secretaries to be held at the Connaught Rooms, London, WC2, on March 22nd and 23rd.

Among the papers to be presented are 'Looking ahead at staff questions'; 'Simplifying administration' and 'Commercial training—the changing scene'. Further particulars regarding the conference are obtainable from the Industrial Welfare Society, Robert Hyde House, 48 Bryanston Square, London, W1.

**THE CHARTERED ACCOUNTANT  
STUDENTS' SOCIETY OF LONDON****Next Week's Meetings**

The following meetings of the London Students' Society will be held next week:

*Monday, 5.30 p.m.*, at the Institute: Lecture on 'Monopolies and restrictive practices legislation', by Mr R. L. Sich, C.B., Registrar, The Restrictive Practices Court. Chairman, Mr G. R. Appleyard, F.C.A., Chairman of the London and District Society of Chartered Accountants.

*Tuesday, 7 p.m.*, at Reigate: Lecture on 'Practical executorship', by Mr M. W. Lockyer, M.I.B., Assistant Trustee Manager, Barclays Bank.

*Wednesday, 5.30 p.m.*, at the Institute (limited number): Lecture and demonstration of peg-board system of mechanized accounting.

*6.30 p.m.*, at *St Paul's Tavern*, Chiswell Street, EC2. Informal dinner followed by Mock Parliament.

Association football v. London School of Economics. 59 Club dance at 'Le Metro'.

*Thursday, 5.15 p.m.*, at the Institute: Introductory course lecture on 'Bankruptcy, liquidation and receivership', by Mr W. V. W. Norris.

*7 p.m.*, at Reading: Lecture on 'Bankruptcy and receivership', by Mr B. Rose, F.C.A.

*11 a.m.*, at Southend: Whole-day course on estate duty, share valuation and income tax capital allowances, by Mr L. S. Northcott, F.C.A.

*Friday, 5.15 p.m.*, at the Institute: Introductory course lectures on 'Taxable income', by Mr J. Kennedy Mellington, F.C.A., F.T.I.L., F.R.ECON.S., and 'The law of agreements and damages', by Mr W. V. W. Norris.

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## COMPUTER CO-OPERATIVE

'The computer co-operative' is the title of a one-day conference to be held on March 28th in the Queen's Building, University of Bristol. Organized by the Bristol Branch of The British Computer Society, the conference is designed to illustrate the way in which electronic data processing equipment can be brought within the reach of the smaller company on a co-operative basis. The conference will show how the situation has been dealt with in the Netherlands and examine some of the problems which might be encountered in the setting-up of a co-operative system in the United Kingdom.

The conference will be under the chairmanship of Mr G. P. Wade, director, Engineering and Allied Employers' West of England Association, and chairman, Bristol and Bath Local Productivity Association. The principal speaker will be Mr P. J. Looij, of the Society for Central Electronic Administration, The Hague, a non-profit-making organization set up in the Netherlands for the purpose of carrying out commercial data processing for smaller companies on a co-operative basis. Other speakers will be Mr A. R. P. Fairlie, technical training executive, Remington Rand Ltd; Mr R. B. Baggett, joint managing director, Job White & Sons Ltd; Mr H. W. Mathews, senior consultant, Urwick Diebold Ltd, and Mr D. Wragge Morley, scientific editor, *The Financial Times*.

Application forms are obtainable from Mr O. B. Chedzoy, 'Brockholm', Cheddar Road, Axbridge, Somerset, and should be completed and returned as soon as possible.

## LOCAL GOVERNMENT SERVICES

The ninth annual return on education statistics<sup>1</sup> for 1959-60, published jointly by The Institute of Municipal Treasurers and Accountants and The Society of County Treasurers, contains information about all local education authorities in England and Wales.

The average number of pupils, number of pupils per teacher and the number of schools are given for each authority, and there is also an analysis of costs per pupil in primary and secondary schools over the main headings of expenditure. In the year under review the total expenditure chargeable to rates and grants at March 31st amounted to £651,465,088 compared with £591,808,005 in 1958-59. This is equal to £14,353 per 1,000 population against £13,120 in the previous year. The number of pupils on school registers was 6,947,845 compared with 6,917,020 in 1958-59.

<sup>1</sup> *Education Statistics, 1959-60*. Price 6s net, post free. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, SW1.

## SEVENTY-FIVE YEARS AGO

FROM *The Accountant* OF MARCH 13TH, 1886

*A letter to the Editor.*

## THE INSTITUTE EXAMINATIONS

SIR, — Having read through those of the Papers published which have been set for the Intermediate and Final Examinations, I very much regret to notice the increasing tendency of the examiners to "muddle" the questions. By this I mean introducing into the questions words, and sometimes long sentences, that have no relation to the answers desired; also wording them in language so ambiguous that it would be absolute folly to attempt to decide what is really meant.

Now as the time allowed for a paper is, of course, limited it is *not* fair to candidates to give them such questions for in many instances it takes almost, or quite, as long to find the meaning of a question as it would to write the answer.

Candidates at Examinations expect, and rightly so, to have their knowledge of a subject thoroughly tested, but they also expect that the questions given them should be in language sufficiently precise as to admit of only one answer to each.

Trusting you will find space for the insertion of this letter.

I am, Sir, Yours respectfully,  
R. T. T. WALDIE.

90 Tamworth Road, Croydon.

March 6th, 1886.

## INSURANCE STATISTICS

The publication *Statements of Life Assurance and Bond Investment Business, deposited with the Board of Trade during the year ended December 31st, 1959*, is now on sale.<sup>1</sup>

The contents follow the lines of previous editions. The statements of all companies, both British and overseas, which carry on life assurance and/or bond investment business in Great Britain, have been reproduced in full, i.e. life assurance and bond investments revenue accounts, profit and loss accounts, balance sheets and certificates, and actuarial returns as required by Section 5 of the Insurance Companies Act, 1958, as applicable.

<sup>1</sup> H.M.S.O. £16 10s per set of two volumes (not sold separately).

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## Control of Public Accounts

**H**OPES for tax reductions in the Budget are not high, not least since the CHANCELLOR's warning of the large increases in Government expenditure to be met in the coming financial year. If the current lack of drive and expansion in the economy is, as many critics aver, directly associated with present rates of tax on earnings, then the prospects of any marked economic revival following the likely Budget proposals seems rather remote.

As MR SELWYN LLOYD has pointed out, the proportion of the national income taken in taxation during the past decade has fallen, even if the absolute total of tax collected continues to rise. Since the relative burden of Government expenditure will be the less as the national product rises, the electorate can enjoy a rising volume of State financed benefits while tax rates decline, always provided productivity can be increased. Expenditure on the social services or education has absorbed the same proportion of the national income since before the war. Thus, argue the advocates of increased outlays, even if absolute expenditure is rising, it cannot be regarded either as burdensome or unreasonable. This argument, however, is insufficient to sustain the case for continuing the current scale of social expenditure. Nobody denies the value of the Welfare State; what needs to be asked is whether additional expenditure in those fields is likely to produce benefits comparable to those to be obtained by allocating these further moneys to some other service, or even by leaving the public to spend its own money! The present controversy as to the extent to which State paternalism should continue to replace individual provision of certain services is likely to go on for a long time, for the border line between the two systems is ultimately a matter for individual judgement. Yet, given the current and probably continuing weight of taxation, is it unreasonable that the taxpayer should begin to ask the Government just what it is he gets in return for his taxes, or more precisely, whether the benefits are efficiently and economically provided?

Even to begin to make such an evaluation requires the provision and publication of adequate accounts relating to the Government's stewardship. Although considerable progress has been made in improving the standard of company accounts as a medium for informing shareholders, improvements are still urged and obtained, either by indirect encouragement such as *The Accountant* Annual Awards or by more legalistic methods such as the Cohen and Jenkins Committees. Contrast this situation with the Government's financial reports presented to Parliament and the public

which merely record receipts and payments. The White Paper known as the *Statement of Revenue and Expenditure*, which is laid before the House of Commons on Budget day, was devised in 1866 when ordinary expenditure was £67 million—a sum equal to barely 7 per cent of the national product. Even if this document is accepted as the only practicable method of presenting these pre-Budget data, other financial documents—in particular the Appropriation Accounts—are as unilluminating as they are voluminous and detailed.

The traditional defence of this collection of archaic financial documents is quite simple and apparently irrefutable. The present system of departmental accounting is designed to meet a number of requirements of which one is pre-eminent. This is the need to ensure 'accountability' to Parliament and its representatives such as the Select Committee on the Estimates, the Public Accounts Committee and also THE CONTROLLER AND AUDITOR-GENERAL. By 'accountability' is meant that Parliament can verify that any sum it has voted for a particular purpose has actually been spent in accordance with that vote. In short, the Appropriation Accounts in particular, and others in general, 'are intended to be, and are, a record of stewardship; nothing more'<sup>1</sup>. The result is that the expenditure of hundreds of millions of pounds is recorded within Government departments on much the same principles as a seventeenth-century journal, into which everything received was entered and recorded again when it went out.

No one denies the truly excellent work done by these committees to which Parliament entrusts the burden of examining the nation's finances. Yet can it be denied that 'accountability' in its widest sense is more evident by its absence than its effectiveness? It is conceded that the existence of these select committees exerts a strong deterrent influence on irrational departmental policies; no doubt the permanent secretaries do fear a summons to appear before the Public Accounts Committee, yet when all is said and done, is it unreasonable to suggest that at best the taxpayer can be grateful that the situation is not a lot worse? How many Members of Parliament can find their way through the Appropria-

tion Accounts; how often is a really informed, factual, speech heard when the House is in Committee of Ways and Means, or of Supply? In short, is it too much to assert that effective parliamentary control of departmental expenditure remains more of an aspiration than a reality, and, that by continuously stressing parliamentary 'accountability' in its traditional form there is a real danger that we shall lose the substance for the shadow?

Reduced to its bare essentials, the matter poses two main questions. First, is the adoption of income and expenditure accounting in place of the present cash-book basis really inconsistent with maintaining 'accountability'? Second, even if the existing receipts and payments accounting method were to be retained, cannot a distinction be drawn between capital and income? The Crick Committee concluded that the main Exchequer accounts and the framework of the Estimates and Appropriation Accounts must remain on a cash basis because 'accountability' was a paramount consideration. The Committee did not believe that the adoption of income and expenditure accounting for administrative services would yield practicable advantages, while in respect of transactions of a capital nature the Committee recommended a form of statement of Government assets and liabilities the value of which, to say the least, is not immediately evident.

These are depressing conclusions. They imply that the accounting techniques which have been evolved in recent times to facilitate the control of large industrial and commercial undertakings offer nothing to the Government. If the present system in fact achieved what it purports to do, then that would be the end of the matter. It does not. We are using today a system of financial control which may have been well suited to the limited needs of Government finances a century ago. Many taxpayers will find it difficult to believe that something more appropriate to current needs cannot be achieved. It is noteworthy that the separation of the Post Office finances from the Exchequer has recently been achieved, and the former body has produced a reconciliation between its traditional 'cash' accounts and proper commercial accounts, in which, incidentally, fixed assets are shown at historical cost.<sup>2</sup> Here, at least, a start has been made.

<sup>1</sup> *Final Report of the Committee on the Form of Government Accounts*. Cmd. 7969 (referred to as the Crick Report), paragraph 20.

<sup>2</sup> *Post Office Report and Commercial Accounts, 1959-60*. Cmd. 1206.

## Progress Report from Scotland

**B**USINESSLIKE and clad in blue, like the Scottish fifteen taking the field at Twickenham this week-end, the 1960 report of the Council of The Institute of Chartered Accountants of Scotland makes its punctual appearance. The Council has now about 6,800 Institute members to whom it has to account for its stewardship. This is a net increase of over 200 in the course of the year. Of the total current membership, nearly half are furth (as they say in Scotland) of Scotland and, of these expatriates, approximately two-thirds are in England and one-third are abroad. It may thus be said then that the Council's report has both numerically and geographically a wide circulation.

The corporate activities of the year appear to have followed the usual pattern – among them the eighth summer school at St Andrews, the third electronic data processing course at Troon, and a number of enjoyable dinners. At two of these, to borrow the jargon of another sphere, satellite bodies were launched, the Lady Members' Group and The Dumfries and Gallo-way Association of Scottish Chartered Accountants, and we wish them a long and useful life. Discussion groups, also, continue to grow in strength and number, the latest new-comer being that inaugurated at Aberdeen.

Despite an increase in revenue from all sources of £4,383, the income and expenditure account of the Scottish Institute for 1960 showed a deficit of £13,210, £3,733 more than for 1959. This position should be remedied in the present year as the revised annual subscription rates came into force on January 1st. As a consequence of the 1960 deficit, the accumulated surplus was reduced to £121,617.

For the Institute's apprentices, the main event in the calendar was the advent in October of the first academic year. Nearly 400 of them are now taking classes on a whole-time basis at the four Scottish universities and in London. Next month ushers in the first examinations under the new syllabus and in May the curtain will come down on the old syllabus with a farewell performance by candidates sitting the last ever second division of the Final examination. Apart from the first division of the Final examination in

which the percentage pass was 50 as against 62, the examination results of 1960 showed an all-round improvement on those of the previous year. To help apprentices to follow the transitional intricacies of the new syllabus, a revised edition of the *C.A. Apprenticeship Guide* was issued in May. This publication contained particulars of the changes regarding preliminary qualifications which the impending replacement of the old Scottish Leaving Certificate by the new Scottish Certificate of Education examination will necessitate. These will come fully into effect next year. To give school-leavers and others a preparatory appreciation of the profession, the Council issued in June 1960 an explanatory booklet entitled *Can I Become a C.A.?* This has proved so popular that a month ago some 11,700 copies had been distributed.

On the invitation of THE PRESIDENT OF THE BOARD OF TRADE, the Council submitted, in July 1960, a memorandum of evidence to the Committee on Company Law Amendment now in the midst of its deliberations<sup>1</sup>. Two memoranda on taxation were also submitted to the Government, one to the Board of Inland Revenue on points arising out of the 1960 Finance Bill and one to THE CHANCELLOR OF THE EXCHEQUER on matters for inclusion in this year's forthcoming Finance Bill<sup>2</sup>.

From a report of more than domestic interest, two items, not ostensibly linked, might be selected for final mention. One is that through the generosity of a member resident in America, an Institute Gold Medal has been founded for the most meritorious combined performance each year covering the Parts IV and V examinations. The other is that a Past Presidents Committee, without executive powers, has been set up to give advice 'whenever invited to do so'. It certainly will be many years before any gold medallist is eligible for membership of the new committee, but the coming into being simultaneously of these two symbols, one of promise and the other of achievement, somehow exemplifies the strong sense of continuity running through the Scottish Institute's many activities.

<sup>1</sup> See *The Accountant*, August 6th and 13th, 1960.

<sup>2</sup> See *The Accountant*, February 18th, 1961.

# Trade Pacts in Industry

CONTRIBUTED

A REPORT on the first three-and-a-half years' work of the Restrictive Practices Court, prepared by the Registrar for the President of the Board of Trade and published recently, shows that a great number of restrictive agreements have been voluntarily abandoned by trade associations before having to face the scrutiny of the Court. The Court has been particularly busy in the past few months. A number of test cases have been brought, in which most of the obvious arguments for justifying restrictions under Section 21 of the Restrictive Trade Practices Act as conferring 'specific and substantial benefits or advantages' upon the public as purchasers or consumers of goods, have been tried and also rejected. The Court has decided that even although price 'fixing' means price stability, preserving a market from wild fluctuations of price, that is not a benefit to the public.

The Court also refused to accept the argument in the *Cotton Spinners'* case that the removal of trading restrictions would be likely to have a serious and persistent adverse effect on the general level of unemployment in the area – a circumstance in which the Act allows the restrictions to be retained. The result in that case was that the Government had to step in hurriedly with modernization grants and compensation under the Cotton Industry Act, in order to save the industry from collapse when price fixing restrictions were removed.

## 'Shop Around' Principle

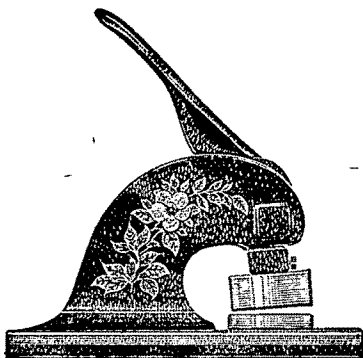
The general trend has been very much in favour of upholding the Registrar in his view that the agreements were contrary to the public interest. In a case heard in July last year, however, one trade association reached the verge of establishing a new principle which seemed to offer some encouragement to other industries, and which seemed capable of a general application.

This was the 'shop around' principle, debated in *Black Bolt and Nut Association Agreement* ([1960] 1 W.L.R. 884). In that case, the Association represented forty-four different manufacturers who produced 3,000 different standard types of bolts and nuts and other 'fastenings' which were widely used in building and constructional engineering, mining and railway

work. The cost of such fastenings was a very small proportion of the total cost of the finished products, and it was shown that even in industries where the proportionate cost of the fastenings was highest, a reduction of 10 per cent in the price of the fastenings would only effect a reduction of one-half per cent in the final cost of the finished goods. The Association operated an agreement which allowed members a reasonable margin of profit, and the current price for black bolts had been built up from the costings of eleven different manufacturers. It was argued on behalf of the Association that the existence of the agreement with fixed prices made it unnecessary for buyers to make numerous inquiries of all manufacturers to see what prices each quoted for the various types of bolts. It was said that any reduction in price which might follow upon the removal of the agreement would be absorbed by the additional expense of having to 'shop around' manufacturers. This argument was accepted by the Court, who held that substantial benefits were conferred upon the public thereby.

When this decision was announced, a number of financial journalists seemed to think that an important innovation had been established, and that henceforth the Court might be taking a slightly more lenient view in its interpretation of restrictive trading agreements. But the chink of light which the Court – almost inadvertently, it seems – allowed to illuminate the scene, has already disappeared and the door has been hurriedly and firmly shut by the Court's subsequent judgment in *Wholesale Confectioners' Alliance Agreement* ([1960] 1 W.L.R. 1417).

This latter case concerned the wholesale distribution of chocolate and sweets and it was said that apart from certain large-scale buyers such as multiple stores, cinemas, and restaurants who bought direct from manufacturers, the most numerous group of retail outlets were the back-street and village sweet shops, who comprised the bulk of the wholesalers' customers. These little shops generally dealt with other goods as well and were least likely to be price conscious or business-like. One of the arguments adopted by the Association was that without the existence of the agreement, the small retailers would not find it convenient to shop around and seek out



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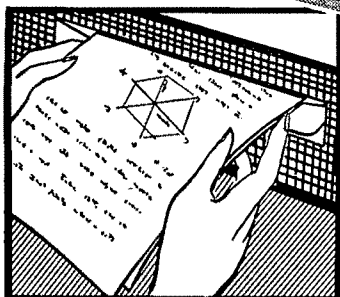
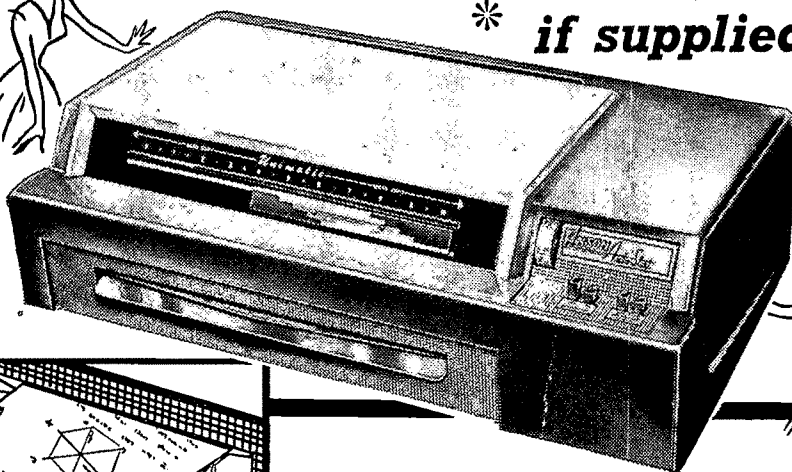
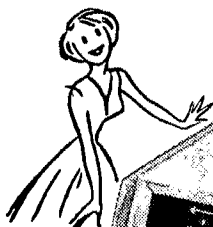
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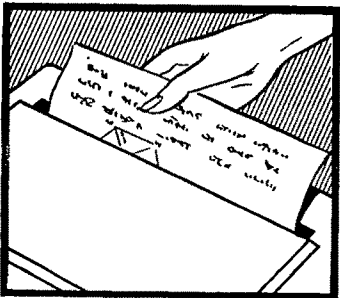
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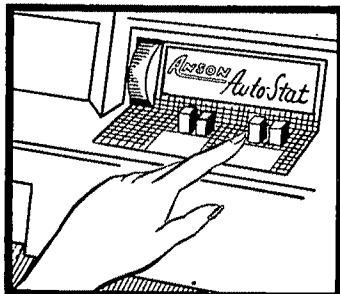
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# Hire-purchase and Bad Debts

A FRESH APPRAISAL  
by KENNETH GASSON, M.C.M.

Registrar himself at a meeting of the British Association last September, when he said that firms should modify their agreements so as to show some visible benefit to the public, rather than try to justify existing agreements in their present form.

The practice of 'price leadership' could also be adopted in those industries which are dominated by one large firm. The large firm sets its price at such a level as will allow firms operating on a smaller production scale a reasonable margin of profit, and the smaller firms adopt the prices set by the leader. But despite these expedients, it seems clear that the impact of the Restrictive Practices Act and the threat to abandon resale price maintenance is going to cause considerable uneasiness in the business world in the coming months.

Industrial leaders are now contemplating various expedients to minimize the impact of the work of the Restrictive Practices Court. One idea of American origin is to adopt the 'open price agreement', whereby in substitution for a direct agreement to fixed prices, the trade association circulates its members with so-called 'statistical' information relating to prices which have been settled in very recent transactions. This gives the members a pretty good idea of market trends and recommended prices. Another line which may be taken is that suggested by the

usually unscathed through the recent crop of bad businesses. That they are not alone in this immunity is also evident; many other finance companies, as well as the majority of the large retail companies, giving direct instalment credit, have apparently escaped serious loss. The recently published accounts of Mercantile Credit Ltd which show bad debts to be virtually non-existent are typical of the experience of most of the larger finance companies; and there is no evidence of serious losses in the results of Great Universal Stores, the most important of the direct hire-purchase retailers.

## Groups in the Industry

It seems reasonable to assume, therefore, that the recent scare has in fact arisen from the experience of only a comparatively small number of the companies engaged in hire-purchase. For the purpose of identifying who they are, and possibly the reasons for their losses, we can divide the industry into three broad groups:

- (1) The retailers who enter into direct hire-purchase.
- (2) The large and old-established (comparatively in a new industry) finance companies who are very few in number.

NUMBER of commercial concerns – both hire-purchase companies and retailers who have used their facilities – have spent the past few months licking their wounds and pondering how they can use their tax losses arising from hire-purchase trading without being caught again. Despite the apparent debacle which the industry suffered last year, instalment credit is clearly going to 'come again' and the re-awakening may well be stirred by the recent relaxation in the period allowed for hire-purchase agreements. This is probably an appropriate moment, therefore, for a fresh examination of the causes or sources of last year's losses and of the controversial plan to form a customer register to counteract them which was announced a short time ago.

The controversy which was aroused over this proposal disclosed clear anomalies in the bad debt situation. Whilst a number of companies felt that losses justified such a step, others, including the United Dominion Trust, the largest of them all, held that existing trading methods were sufficient to contain bad debts to a reasonable amount. The attitude taken by the United Dominion Trust is not unnaturally a reflection of their own trading experience; they have in fact come vir-



## Co-ops - and Cars

and compare the different prices of the various wholesalers. The Court, however, took the view that the agreement was contrary to the public interest.

Another leading test case, *Doncaster and Retford Co-operative Societies' Agreement* ([1960] 1 W.L.R. 1186), raised an important point of principle for the co-operative movement. The matter was concerned with a boundary agreement between two neighbouring co-operative societies not to trade or solicit customers in the area of the other, thus ensuring that reduction in the price of goods would be made by way of dividend and not by wasteful economic competition. It was argued that a public benefit was created because the overlapping of services was avoided, which would cause a reduction in profits and dividends, and also that the removal of the agreement would deprive sparsely populated areas of the services which they now enjoyed.

The Court found, however, that all but one of the restrictions in the agreement were contrary to the public interest. There are some two hundred other boundary agreements of a similar nature registered under the 1956 Act, and all were affected by this decision.

Motor-car distribution has very recently fallen under the scrutiny of the Court. In August 1957, the 'big five' motor companies began to operate an agreement under which the signatories undertook to prescribe the retail price of their cars, and to appoint as franchise dealers only those who complied with the certain minimum conditions in regard to staff, equipment and premises. The purpose of the agreement was to bind car manufacturers to follow their concerted policy in regard to the price fixing of new cars, and the terms of appointment of franchised dealers. The agreement came before the Court in *Motor Vehicle Distribution Scheme* ([1961] 1 W.L.R. 92) in which the manufacturers argued in defence of their scheme that it provided the public with a nation-wide network of distributive outlets for cars and a skilled repair service, which would not be so readily available in the absence of the agreement. The Court held, however, that the agreement did not provide substantial public benefits.

This decision could in the long run affect the price of new cars, but rather indirectly. At the moment, nearly all the manufacturers fix the retail price maintenance agreements with each

## Resale Price Maintenance Problem

These individual agreements not only make of car so long as the manufacturer enforces price maintenance. But if any one manufacturer abandoned the principle of price maintenance, and allowed his dealers to take what price they could get for a new model, other manufacturers might be forced to do likewise and a price war would quickly follow.

Resale price maintenance could, in fact, develop into a major problem for the manufacturing industries in the near future. Section 25 of the 1956 Act gives power to manufacturers to enforce by legal proceedings any condition regarding the price at which the goods supplied by them can be resold. In practice the section is available to assist the manufacturer to ensure that goods are sold by the dealer or wholesaler at the price which the manufacturer has fixed for his product when new. It also ensures that the retail price of the goods are exactly the same throughout the country.

Recently, however, one motor-car manufacturer and also a refrigerator manufacturer, removed the price resale conditions attached to their goods, and dealers left with unsold products were unable to get rid of them at reduced prices. At the same time, 'discount shops' are making their first appearance in this country. This is an American innovation, whereby stores sell goods at prices lower than those fixed by the manufacturer, but do not give the customer any of the additional services normally associated with shopping, such as credit facilities, free delivery or polite shop assistants.

In March last year, the President of the Board of Trade instituted a fact-finding inquiry in regard to resale price maintenance. Since then the Board has received many representations to the effect that the repeal of Section 25 would mean a reduction in the general level of prices. One trader recently described resale price maintenance in Great Britain as 'a large-scale confidence trick'. If he proves to be right, the early developments already foreseen could quickly snowball into a large-scale retail trade revolution in this country.

The effect of the various decisions of the Restrictive Practices Court upon the price of goods is difficult to estimate, because so many other economic factors are involved. Carpets, blankets, bread and pharmaceutical goods re-

- (3) The large number of smaller hire-purchase companies, many of whom are of fairly recent or post-war origin.

The first group, the retailers, probably have the greatest number of accounts comprising small individual amounts. If the customers were basically to blame for bad debts it might be expected that the low wage earners, who figure largely as hirers under these small accounts, would be the first to default and cause losses. That they do not apparently do so must be related to the trading methods of these companies. The retailer, of course, has a basic advantage in his approach to credit. Unlike the finance company which relies on goods as a means of selling credit, the retailer's first consideration is to sell goods and credit is only provided as a means to achieve this end. This inherently makes the credit stronger because the main effort is concentrated on providing goods which the customer wants, so that he will come back again – and again. On the other side, having got what he wants the customer tries to keep it by maintaining his instalments. Retailers are also assisted in the control of their credit balances by the more direct responsibility which the shop bears, by the closer influence of the credit manager over selling staff, and by the intimate knowledge of local trading and economic conditions which their main job of selling gives them.

#### Way to Bad Debt Immunity

The comparative immunity to bad debts of the second group, the large established companies, can be attributed to a different set of factors largely concerned with involvement. When these companies started, before or between the two great wars, they offered their facilities on a sellers' market so far as hire-purchase was concerned. Inevitably this meant that they could pick and choose the retailers to whom they would grant facilities as dealers and, of course, they signed up only the most soundly based and sensibly conducted ones. For example, most 'main' dealers and manufacturers' franchise holders became, and still are, dealers for these major hire-purchase companies. Satisfactory working relationships were established and being (in many respects) conservatively conducted these traders have not, during the post-war growth of their own sales and the hire-purchase industry generally, seen any reason to change their allegiance. Today, therefore, the major hire-purchase companies retain these sound reputable dealers to

companies have created organizations which have been able to sort out the wheat from the chaff in the post-war mushroom growth of dealers and to offer competitive and therefore acceptable terms only to those who are worth having. Many are, of course.

The third group, the smaller companies, have entered the field mainly during the rapid post-war expansion of hire-purchase demand. In competition with the older companies, they created a buyers' market for hire-purchase facilities which encouraged the loose trading adopted by many of the newer dealers. Being unable to break in to the established dealer/finance company relationships to any appreciable extent, these new finance companies had to rely for business on the new dealers. Lacking the experience and the organization which their older counterparts had, they were unable to distinguish the good from the bad business which the new (and equally inexperienced) dealers submitted. This is where the losses which have made the news have arisen.

#### How to Avoid Bad Debts

Although fraud has undoubtedly played a part in the debacle which we have experienced, most of the trouble has arisen from over-commitment by customers, encouraged and often connived at by too enthusiastic salesmen. Unlike their parents, who often were prejudiced about credit, the younger generation now becoming hire-purchase customers have no inhibitions and the expansion of credit that they are creating, and the temptations they are becoming prone to, are likely sooner or later to affect the trading of even the best organized companies unless these temptations are removed.

Clearly, today's haphazard methods of credit assessment, relying as they do on the customer's word about other commitments and the absence of any recorded County Court judgment, are not enough. Whether, however, the proposal involving Kemp's Mercantile Agency and a certain group of finance companies will provide the answer is also doubtful.

The only way to protect customers and investors from hardship, and salesmen from themselves, is to place the credit assessment decision in the hands of just a few experts who have all the information about instalment commitments (and instalment commitment only) available. The only way to do this is to create on the American pattern

# The Revenue and the Profession

by SIR EDWARD NORMAN  
Chief Inspector of Taxes

I KNOW very well that as accountants you are interested at some time or other in all aspects of the Inland Revenue's activities but obviously your main concern, whether you are in general practice or in industry, will be with income tax and profits tax; and your main contact and interest with the Tax Inspectorate. My approach to my subject is based on that assumption.

I should like first of all to sketch in the background against which we are considering the subject-matter of this talk. I will try to do so without overloading what I have to say with too many statistics; because, although for some of you statistics may have their fascination, for the general run of mankind they have singularly little charm.

Where then shall we begin? Well, according to the *Encyclopaedia Britannica* the first person definitely presumed to have practised public accounting on a full-time basis in Western Europe was George Watson, who is perhaps better known as the founder of that famous school in Edinburgh. He was born in 1645 and therefore, one would imagine, was well established in practice when the first Surveyor of Taxes was appointed in 1696. So perhaps that is as good a starting-point as any.

Before that time, stretching back into the Middle Ages, the position, broadly speaking, appears to have been that the internal revenue of the State was derived from Crown lands; there were the customs duties and, as occasion required, there were the direct taxes levied by Parliamentary grant for some special purpose – war, for instance. It is this last category which is of particular interest to us, and why I have glanced backwards, because administration of the direct taxes was through local commissioners. It set the pattern on which to found in later years the administration of the land tax, the so-called 'Assessed' taxes with a capital 'A' (to which I will refer in a moment) and, in more recent times of course, the income tax. Prior to 1696 control from the centre seems to have been somewhat sketchy and some odd things happened. I am not suggesting for

one moment that all was well after 1696 but in that year, and I quote, 'An Act for making good the deficiency of the clipped money' provided that Justices of the Peace were to be the commissioners for the 'duties upon houses' and power was given for the appointment of surveyors and receivers-general; and that, if I may so put it, is where, on a very modest scale, we came in.

We can skip rapidly over the years until we reach 1842 which, despite its significance for us, seems to have passed off with comparative quiet. The Surveyors of Taxes of the day just took the revived income tax in their stride – you will remember that it had been dropped for many years. At least the surveyors did not, so far as I can make out, get any extra pay for it. At that time of day the 'assessed' taxes which I mentioned earlier took up a lot of their time. They included the window tax, duties on hair powder (which somehow lingered on until 1869), and in respect of male servants, carriages, horses, dogs, armorial bearings, and so on. All of which might have figured in the proceedings of the Pickwick Club.



Sir Edward Norman

## Those Halcyon Days

The tax scene has, of course, changed enormously in our lifetime. Before 1914, income tax did not really amount to much.

Let us look at the position in the halcyon days of 1913-14. The Inland Revenue produced in that year a total of £88 million of which £44 million related to income tax and £3 million to super tax. The income tax rates were 1s 2d, 1s and 9d. Super tax was chargeable only if your income amounted to £5,000, when you paid on the excess above £3,000 at a flat rate of 6d in the £. Obviously from a tax point of view 'those were the days' although to be sure there were grumbles even then. Certainly there had been a fair amount of litigation enshrined for us in the earlier volumes of *Tax Cases*. I wonder what people then would have thought of the state of affairs we have to put up with today. The report of the Commissioners of Inland Revenue for the year to March 31st, 1960, records that during that year the tax payments into the Exchequer amounted, in round figures, to £3,000 million of which income tax and profits tax

An address at a luncheon meeting of The Association of Certified and Corporate Accountants at the Connaught Rooms, London, on March 7th.

accounted for £2,500 million and surtax approached £200 million – vast increases.

My predecessor of 1914 seems to have managed quite well with a total staff of 1,900. At the present time my staff exceeds 36,000, and they are kept pretty busy. The proportion of that total in Somerset House and in local head offices is very small. The Claims Branch, with which you do much business, and the Inquiry Branch, of which you may have heard(1), are really specialized sections of my head office. The great mass of the total staff is, however, spread over the 700 tax districts which are scattered over the United Kingdom. It is with these offices that most of your business is done, for we are a highly decentralized service. The inspector in charge of a tax district has a very full authority. For all practical purposes what he settles with you goes, a fact which enormously helps the handling of business.

It was during the First World War, when income tax shot up to the then incredible rate of 6s in the £, that taxpayers became more accountant-conscious. There was also the excess profits duty, which was considered at that time to be very complicated, to provide an additional spur. Some of you must have been involved either in the later stages of excess profits duty or in revision of the war-time workings which took up a lot of time in the early twenties. There were special provisions for the revaluation of stock and so on. But on the whole, with excess profits tax still fairly fresh in our minds, we would probably regard a tax like excess profits duty as a return to the simple life.

I think my own main impression on looking back to that time of day, is of the number of cases of individuals and partnerships in which the taxpayer had either made a shot at preparing his own accounts or managed without and was assessed on estimate. Even more strong is my impression, on looking back in old files, of the elementary character of the income tax computations based on accounts, and the fact that prior to the First World War it was quite the common practice in the case of individual traders and partnerships and private companies, to send in a trading and profit and loss account without a balance sheet. Where this had been the practice it became necessary to call for balance sheets for excess profits duty capital purposes. To us, now, that seems an incredible state of affairs. The changes since then have been remarkable. We are in a different world and the accountant and the Inspector of Taxes are in it together.

### The Position Today

I should like, if I may, to give you a few more figures. At the present time there are just over 22 million liabilities dealt with under P.A.Y.E. Some individuals come in and out of liability during the year. The great majority stay in. There are nearly three million Schedule D assessments of which almost two million relate to businesses and professions.

That is quite enough detail to go on with, but it

does bring us round to this, that whereas income tax used to concern a selected minority, it now concerns practically everyone. The Revenue recognizes that it has a duty to the public which goes further than doing its job accurately. Many of the taxpayers with whom we now have to deal require a great deal of assistance. That is something we recognize. We do go to very great pains to assist the taxpayer. The Revenue attitude can be summed up in this way, that while the responsibility for making a claim to relief is placed by statute upon the taxpayer, we are ready to assist him in every reasonable way. We consider it our duty to draw a taxpayer's attention to any reliefs to which he appears to be entitled and has omitted to claim. Despite the criticism which one sees from time to time, an enormous amount is done in this way. Our correspondence is astronomical and we number our callers by the hundred thousand. In the course of the year we make well over four million income tax repayments. In the year which has just passed there were well over a half-million Post-war Credit repayments. I think it would be fair to say that quite half of all the income tax claims we repay arise on the initiative of the department.

### The Inspector-Accountant Relationship

But let us return to the particular position of the accountancy profession. In our relations with you I hope you can discern a similar attitude of helpfulness, for instance, in the issue of the official publications concerning such matters as double tax relief, capital allowances, overseas trade corporations, scientific research, patents, and so on, and, at a working level, in the issue to those accountants who have asked, specimens of the profits tax working sheets inspectors use; a whole bunch of working sheets to facilitate the preparation of excess profits levy computations when we had that to do and, more recently, the supply of the forms which inspectors use to record undistributed income of overseas trade corporations. That is the sort of thing we should hope to go on doing. I mention these developments, not in any sense as measuring the extent of departmental help, but merely as indications of our attitude towards the profession. We in the Revenue do our best, when we spot that there is some point which we think you have missed, to draw your attention to it. That sort of thing operates both ways. That is, of course, just the sort of situation one would expect to find.

The inspector relies on the accountant's professional skill. He recognizes, of course, the significance of the accountant/client relationship: that the accountant is governed by the terms of his instructions and his code of professional ethics. For his part, the accountant is entitled to rely on the fair-mindedness of the inspector. I well remember, many years ago, when I went to a new town that a partner in the leading firm of accountants came to my office on a courtesy call. In the course of a very friendly discussion he summed up his own attitude towards the Inspector of Taxes in this way: that I would find

him frank and helpful, he would put his cards on the table and having done that he would fight me all the way if he thought I was wrong. As a matter of fact the subsequent course of business between us was very smooth indeed.

I should perhaps remind you of this, that so far as matters of principle and policy are concerned, fairness of administration requires that there must be common departmental alignment, so if you have been running a particular line – shall we say, on the valuation of stock and work in progress – do not put it down entirely to the inspector's obtuseness if you find him unconvinced.

It is a pleasant commentary on the healthiness of the relationship existing between the inspectorate and the profession that any little differences and irritations (they happen on both sides) are so well contained. It is a remarkable tribute to the good sense of both sides that despite the enormous business we do together, much of it technically difficult, the number of cases which we cannot settle between ourselves and which require to be taken to personal hearing before the Commissioners is amazingly small.

And here may I refer briefly to the General Commissioners. They give most valuable public service. They are a safeguard to the taxpayer and the Revenue alike.

As the years go by each Finance Act gives us something fresh to think about. We realize well enough that taxation is used as an instrument of economic policy and that, of course, can involve major changes. But tax rates are so high that there is always pressure from some quarter or another for legislative change designed to temper the wind to some shorn lamb. We are accustomed to changes and we attune ourselves to them.

### **Tax Avoidance**

Much of the exceptionally heavy legislation of 1960 was, as you know, directed against tax avoidance devices. Accepting the position that the subject is entitled to arrange his affairs to make the best of the tax situation, it is clearly necessary – for those whose duty it is to safeguard the Revenue – to be vigilant. Some of these devices are devious and when successful can involve the State in serious losses. Certainly, one cannot expect counteracting legislation dealing with these operations to be simple – and it certainly was not. The transactions they were designed to meet are not always easy to uncover. I mention this because from time to time this may result in some question by an inspector which may, with your knowledge of the facts, tend to perplex you.

Perhaps this is the point at which to say a word generally concerning questions raised by inspectors. The account you send in is, in a way, your end-product and our raw material. Now and again I have seen it suggested that we ask too many questions. Occasionally that comment may be justified, but looking at the whole picture it is certainly not true. We are far too heavily pressed for that.

From the point of view of inquiry, the inspector's principal concern, in the type of case where perfection of record is improbable, is with the accuracy of the account. At the end of the day, he is not perhaps much better off. But he is put on inquiry. That is no reflection on your professional skill. You obviously cannot be particularly happy about this type of case yourselves, or in the sort of certificate you have to attach to the accounts.

That would not apply in your more important cases. In the larger case, in which there is probably a great deal of money at stake anyway, the more fully informed the inspector is on fundamental matters the less is he thrown back on speculative inquiry. By 'fundamental matters' I mean, in the case of a manufacturing company, a reasonably clear idea of what the company makes, what its major processes are, the basis of valuation of stock and work in progress, where its markets are and, if it is a part of a larger organization, what the links are. These are not the sort of questions which you are likely to be asked on every account every year. Far from it. Much of the information is collected over the years – from replies which you have given in the past and perhaps from information given by directors, from Press reports, and so on. It is knowledge of these things which direct thought and inquiry to the proper points and obviously we want to keep it up to date.

A moment ago I referred to the tax avoider. Now I would like to say a little concerning the tax evader. We know all too well the difficulty of back-duty work and the great amount of time a large and complicated case can take up. There is some measure of complication about all cases of this type. Without a doubt, accountants with much of this sort of work develop special skills in dealing with it. (So, for that master, does the inspector.) Apart from the asset position there is the determination, sometimes on slender evidence, of the personal and private expenditure on which so much turns. But there are many which, with vigour and purpose, can be settled fairly quickly. If they are allowed to drag on it helps no one.

### **Not Enough Accountants**

The practical difficulty to individual practitioners – there are difficulties on the inspector's side as well – must be in finding the amount of time involved in the search for truth and striking the right sort of practical balance between the time you must spend on cases of this type, where you have them, and the normal work of producing the accounts in time to enable you to agree the liability based on them with the Inspector of Taxes before the assessments are made. And here may I say this: that over the country as a whole there is a very serious lag in the timely production of accounts, and in many parts of the country I am certain that there are either not nearly enough qualified accountants in general practice or, if there are, they have not enough staff. Staffing is a difficulty from which the Revenue itself is not immune.

Each year we receive from accountants something over a million sets of accounts, but far too many of them come so late in the day that we are all involved in additional work. Let me give you some idea of the seriousness of the problem. Notices of assessment, Schedule D, are issued in November. At the beginning of October a little more than 50 per cent of the necessary accounts have been received, against a 1938-39 percentage of over 80, with the inevitable result in terms of appeals.

Most of you will be familiar with the pink Form 64-7 which is fairly generally used by accountants at appeal time for use in giving formal notice of appeal, to indicate when the accounts will be available and to state the amount recommended for payment

on account on January 1st. Well over half a million of these forms are issued to accountants on request each year and that of course is only part of the appeal story. It is a most disturbing situation. Whatever individual accountants can do in their own practices to improve performance in this respect would be a gain to both sides. I leave the thought with you.

Now I think I have spoken long enough and I hope I have not tried you too severely.

I think I have at least indicated to you that, in my view, the relations between the Revenue and the profession are on a very good plane. We may not always see eye to eye with one another but there is a great measure of understanding and mutual respect. And that after all is a very sound basis on which to do business.

# The Accounting World

## TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

### AUSTRALIA

#### **Tax Incentive for Exporters**

THE Australian Government proposes to increase from 8s to 16s in the £ the rate of tax remission for expenditure on overseas market development. This will operate for the three years commencing July 1st next. Another concession to operate for the same period is a rebate in the payroll tax. This rebate would vary according to the increase in the value of a firm's exports over the basis years 1958-59 and 1959-60, and the calculation would also take into account the proportion borne by the increased export sales to total income. If a firm increases its export sales by as much as 8 per cent, then under the present proposals it will pay no payroll tax at all. The concessions are not confined to actual exporters, firms supplying them will also benefit. When he announced the proposals to the House of Representatives on March 8th, Mr McEwen, the acting Prime Minister, said that the Government would also increase its own efforts to promote Australian trade overseas.

### NETHERLANDS

#### **Budgetary Procedure in Holland**

BUDGETARY procedures in the Netherlands have been the subject of an inquiry by a Government Commission appointed in 1956 by the Minister of Finance; the chairman was Dr D. Simons, Professor of the Rotterdam School of Economics. The Budget and Accounting Act, 1927, forms the main basis of budgetary procedures and one of the tasks of the Commission was to investigate whether this Act needed revision. The Commission's report, together with drafts for two Budget Acts (one for the general Budget and one for State enterprises), has now been published.

The Netherlands uses the calendar year as its

financial year. The Commission recommends that on the same day that the Budget memorandum appears (third Tuesday in September), the Central Planning Bureau should publish a central economic outline plan which, with a white paper containing forecasts, would report the main aims on employment, investment, balance of payments, etc., and discuss short- and long-term problems. The Commission recommends the retention of yearly budgets, rejecting a suggestion of two-year Budgets as being not sufficiently flexible.

As regards expenditure, a majority of the Commission is in favour of the retention of the system whereby the estimates cover the amounts to be paid for the goods which will be delivered during the year. For a large part of the revenue, on the other hand, the majority favours accounts on a cash basis. Some members would prefer a commercial basis for both sides of the account. Instead of a broad division into current and capital parts, the Commission proposes a division of the various parts of the Budget into two groups: income-creating expenditure and revenue paid out of income, and other expenditures and revenues.

In the Commission's view, more ministers should be closely connected with budgetary policy. It suggests that the draft Budget bills be first discussed by a committee consisting of the Prime Minister, his deputy, the Minister of Finance, one other minister, and the minister in charge of the department discussed. If this committee rejected a draft, their vote could be overruled by a cabinet majority but only when the Prime Minister voted with the majority. Another suggested change is that the Budget Acts should be enacted earlier in the year. Once the Budget reaches the second chamber it should be discussed as quickly as possible. As regards the efficiency of the central Government, the Commission is not in favour of the appointment of a chamber of efficiency or an

'ombudsman' - at least, in the finance sector. The maximum number of members of the Chamber of Audits should be raised from three to five. This Chamber should devote attention to the way in which general policy principles are applied. It could also voice its opinion when it thought that the Government was being slow in adapting policies to a changed situation.

## **UNITED STATES**

### **Depreciation Survey**

THE United States Treasury Department has reported on a study of depreciation methods made by questionnaire sent to thousands of firms throughout the country. 1,918 replies (71 per cent) were received from the large corporations and 1,177 (nearly one-sixth) from the small firms.

According to the *Journal of Accountancy* for February, about 70 per cent of the large corporations and 57 per cent of the small businesses reported using one or more of the new liberalized depreciation methods, particularly the double declining balance and sum-of-the-years-digits. About 22 per cent of the large firms and only 3 per cent of the smaller elected to use the additional first year allowance. As to desirable changes, about half of all firms gave first choice to leaving the taxpayer free to use his own judgment as to useful lives and depreciation methods consistently applied. About 29 per cent of large firms and 22 per cent of small favoured some form of adjustment to reflect increased price levels.

The tendency in North America to accept the depreciation allowed for income tax as the proper charge in the calculation of profits is shown by the fact that 61 per cent of the large corporations and 92 per cent of the small firms replied that their depreciation for tax and book purposes was about the same in the most recent year. Where the methods for tax and books differed, about 62 per cent reported setting up deferred tax reserves or other book adjustments for the resulting tax differences. Large and small firms heartily concurred that, if depreciation allowances were liberalized, they would be willing to have their book and tax depreciation accounting conform. Sixty-five per cent of the large firms and 59 per cent of the smaller maintained that liberalized depreciation would materially influence their investment decisions and increase their capital expenditures.

### **Discovery Sampling**

PROFESSOR HERBERT ARKIN, PH.D., of the Baruch School of Business, City College of New York, has said that while much has been written of statistical sampling in general, little attention has been given to 'discovery' or 'exploratory' sampling. For such a test the auditor needs to know the sample size necessary to have a reasonable probability of disclosing at least one example of the item he would reject, when it occurs in the particular field under audit with some minimum frequency.

Thus, suppose the auditor has 2,000 vouchers and decides that, if he found even one instance of failure to obtain a required approval signature, he would extend his examination. Dr Arkin said it is clear from statistical tables that, if there was actually only one violation, it would be hopeless to do sample testing with any reasonable probability of finding it. But the auditor decides that, while one such violation would not have significant dollar value, ten might be significant. He thus feels he must have reasonable assurance of discovering at least one example if ten such violations exist, and he estimates reasonable assurance at 90 per cent probability. By reference to an authoritative statistical table the auditor will then find that he must examine 400 vouchers, taken at random from the field of 2,000 to have an 89.3 per cent probability of finding at least one voucher which lacks the approval signature.

Dr Arkin pointed out that, in discovery sampling, the sample size required was closely related to the field size involved; whereas in estimation sampling it was the absolute size of the sample that mattered, with little relation to the field size unless it was quite small and the sample size relatively large. Hence discovery sampling seems more nearly designed to meet some of the problems peculiar to auditing. (*Journal of Accountancy*, February.)

### **Profitable Tax Audits**

IN his recently published annual report for the fiscal year to June 30th, 1960, the Commissioner of Internal Revenue reveals that an additional \$1.8 billion was recovered in tax, penalties and interest, as a result of audits for that year, mainly involving corporate income and profits taxes. He attributes this record to improved audit operations and examination techniques.

## **NEW ZEALAND**

### **Public Accountant Appointed High Commissioner**

MR SYDNEY CUTHBERT JOHNSTON, M.F.P.A.N.Z., of Auckland, is to succeed the Hon. F. Jones whose term as High Commissioner in Canberra expires on March 23rd. A member of the board of trustees of the Auckland Savings Bank, Mr Johnston served as President from 1956-58 and President of the Associated Savings Bank of New Zealand from 1956-57. He is also Chairman of the Motor Spirits Licensing Authority and was Chairman of a Committee of Inquiry set up on two occasions to investigate and report on transport problems in respect of Waiheke Island.

Mr Johnston has been prominent in political life as a Vice-President of the National Party, Chairman of the Auckland Division and, latterly, as Chairman of the North Shore Electorate. His other public activities have included the Secretaryship of the Auckland Navy League. He is a member of the Brett Memorial Home Trust Board.



# Weekly Notes

## Budget Day

IT was announced in the House of Commons on March 9th by the Leader of the House, Mr R. A. Butler, that Mr Selwyn Lloyd, Chancellor of the Exchequer, will present his Budget to Parliament on Monday, April 17th.

The Budget will be discussed, and the taxation proposals summarized, in our issue of April 22nd.

## The Jenkins Committee

THE tenth day of the oral hearings of the Jenkins Committee was taken up with evidence concerning unit trusts and investment trusts. Minutes of this evidence were published on Wednesday.<sup>1</sup> Included as appendices are memoranda by the Association of Unit Trust Managers, the Association of Investment Trusts, and Mr S. I. Fairbairn. The representatives of the Association of Unit Trust Managers were Sir Oscar Hobson (chairman), Mr E. D. L. Du Cann, M.P., Mr G. H. Fletcher, F.C.A., Mr O. P. Stutchbury (members) and Mr W. G. N. Miller (secretary). The Association of Investment Trusts was represented by its chairman, Sir Edwin Herbert, one of its vice-chairmen, Mr G. L. C. Touche, B.A., F.C.A., and its secretary, Mr W. S. Gammell. Mr S. I. Fairbairn, chairman of Municipal and General Securities Ltd, gave oral evidence in support of his own memorandum. He disagreed with the Association of Investment Trusts in its defence of 'block offers' of trust units. In a supplementary memorandum, also printed, he explained in detail what was misleading about such offers, and commented that the defence of them amounted to a plea that unit trust managers could not live without such offers; a plea which he regarded as factually incorrect and as in any case an inadequate defence.

## Finance for Expansion

A CONFERENCE on 'Financing Expansion' was held last week by the British Institute of Management under the chairmanship of Sir Harold Gillett, M.C., F.C.A.

Speaking on 'Capital for finance', Mr J. B. Kinross, general manager of the Industrial and Commercial Finance Corporation Ltd, drew attention to the importance of appreciating the difference between short-term and long-term capital and the difference in the institutions which provide each of them. Having surveyed the types of financial institution which will provide medium or long-term capital he went on to say that capital of any description is a

precious commodity. The demand for it is substantial and is likely to increase, which means that interest rates are likely to stay higher than before the war. Mr H. Simpson Cook, manager of the United Dominions Trust Ltd, dealt with hire-purchase finance. He emphasized the vital, and on the whole insufficiently appreciated, role of hire-purchase finance for large and small companies wishing to purchase plant, machinery and motor vehicles. He went on to say that recently hire-purchase finance had entered a new field to enable the United Kingdom manufacturer of capital goods to sell on the Continent on medium-term credit without his having to provide the finance or accept the liability should a customer fail to pay.

Speaking on 'Taxation and expansion', Mr David C. Hobson, M.C., F.C.A., of Cooper Brothers & Co, emphasized the importance of careful tax planning to get the maximum possible expansion out of the available resources in a business; aspects of taxation of particular importance in expansion included capital expenditure, absorbing other businesses, expansion overseas and surtax and estate duty. There was also a paper called 'Public issues', by Mr J. A. Hunter, a member of the Council of the London Stock Exchange. Mr Hunter dealt with the machinery for making a public issue where it is to be made at the same time as an application for quotation. He emphasized that operating a free and open market in capital involves all concerned in having the same amount of information and that this is an ideal towards which the Stock Exchange rules have been working over the years.

## Parkinson in Season

WITHOUT a modern system of accounting all talk of Governmental economy is drivel. Without accounts which are true and which balance, economy is not even possible. In public finance the sad fact is that we have not yet mastered Lesson 1. This was one of the main points discussed by Professor Parkinson in a talk given last Wednesday before an invited audience under the auspices of three members of Parliament in co-operation with Aims of Industry. With wit and incisiveness, Professor Parkinson dealt with the very topical problem of the stultifying effect of high taxation on endeavour and leadership.

As in his two well-known books, the last one dealing with taxation, Professor Parkinson used an element of caricature in making his points but the deadly earnestness of his purpose was apparent enough. He is concerned that this country should not destroy itself economically and, eventually, politically by over-taxation and chronic inflation. He would have maximum figures of income set for Government departments to take as ceilings for expenditure, rather than the present method of inviting departments to draw up lists of expenditure to be made by taxation. This particular recommendation he offers in all seriousness but doubtless he has his tongue (some-

<sup>1</sup> H.M.S.O. 4s 6d net.

what reluctantly) in his cheek. He would have the limit of income available for Government departments set at 20 per cent of the national income. With figures of this size he is very much a political prophet crying in the wilderness.

When all the witty allusions have been made and the barbed wit has sunk home, the best passage in his address was the one on the failure of our present incentive system to provide proper national leadership. He points out that it is impossible for any family to achieve the highest office in the State these days by three generations of endeavour (the Kennedy family in the United States is probably the last example of it) while we stimulate various forms of 'spiv' activity from winnings on the pools to plain racketeering.

### Revision of Irish Company Law

THE Minister for Industry and Commerce in the Republic of Ireland, Mr J. Lynch, has announced that legislation relating to company law is in course of preparation. A number of amendments advocated by a Government committee which inquired into the question in 1958, had been given legal effect but much remained to be done. 'The Bill', said the Minister, 'will be one which will amend and consolidate the law at the same time, and there will thus be the advantage that persons who are concerned with the application of the law relating to companies, will find that all the law on the subject is contained in one piece of legislation. The Minister added that the new legislation would try to preserve a correct balance between what was desirable in the public interest, and what might reasonably be imposed on companies and company directors, without adding unduly to their existing obligations in law. 'Nobody', said the Minister, 'would wish to place unnecessary obligations on companies or company directors; nevertheless, there is some evidence that the law requires to be tightened up, so as to afford a greater measure of protection to persons who have dealings with companies.'

Among the matters to be covered by the new provisions will be the financial accounts of companies and their auditing, and the rights and duties of auditors.

### Petrol Pump Politics

MANY thousands of accountants throughout the United Kingdom will be receiving this week-end from the Motor Accessories Manufacturers' Association Ltd copies of a booklet dealing with the subject of petrol supply agreements.<sup>1</sup> More than 90 per cent of the petrol stations in this country at present are under contract to sell only one brand of petrol, the main inducement being a price rebate to them of 1½d per gallon. Proprietors of garages and stations, however, are becoming increasingly unwilling to commit themselves to selling only one make and the

usual five-year agreement, as it becomes due for renewal, is in many cases being replaced by one of three years or, even, of one year.

The Association's booklet, which has been issued for the guidance of garage and service station proprietors and their advisers, summarizes the historical background to the problem and then lists five basic safeguards which should be incorporated in every petrol company supply agreement. These deal with the right of the retailer to sell brands of lubricating oil other than those of the petrol company's manufacture; the maintenance of his profit margin; a provision for revising upwards the amount of rebate stated in existing contracts to the current level; the insertion of a break clause; and, finally, reasonable credit arrangements. The booklet then goes on to analyse the forms of contract used by the leading petrol companies and to draw attention to general matters - among them tenancies, hire-purchase arrangements and taxation - which may be relevant to such agreements.

### Transplanting the Ombudsman

THE suitability or otherwise of having an Ombudsman in this country has been discussed fairly extensively in the last year or two. The original Ombudsman was established some time ago in Denmark to act as a kind of Court of Appeal against the administrative decisions of the Government machine. The question of adopting the idea in this country springs from the widespread suspicion of the impersonal and all-pervasive operation of administrative law in private and public life today. In its modern context the plea against bureaucracy started with Lord Hewitt's book *The New Despotism* a generation ago and interest has been kept alive by the administrative necessities of the last war and this country's experiment in socialism between 1945 and 1950.

The Society for Individual Freedom has now published a book called *Occasion for Ombudsman*<sup>2</sup> by T. E. Utley, which deals with the Ombudsman experiment in Scandinavia. Mr Utley does not favour the idea of an Ombudsman in this country. In particular he is suspicious of the office being exercised by a single individual supported by staff. He suggests an alternative whereby the functions of the office would be exercised by an anonymous central department presided over, possibly, by a committee of respected public figures.

So far as it goes, such an idea may have something to recommend it but it overlooks the vital point. In this country all authority stems from the Sovereign in Parliament. The creation of a new kind of watchdog would be best brought about by refurbishing the functions of some body already enshrined in our constitutional practice. Such a body would fit very flexibly into our unwritten constitution and would more easily function on behalf of the individual if it had the right kind of historical pedigree.

<sup>1</sup> *Petrol Company Exclusive Supply Agreements in the United Kingdom*, issued by the Motor Accessories Manufacturers' Association Ltd, 94 Gloucester Place, London, W1.

<sup>2</sup> Price 15s.

**Finance for Economic Development**

THE Organization for European Economic Cooperation has now brought together in one document an analysis of the flow of financial resources from highly developed members of O.E.E.C. and its associated countries (these being the United States and Canada) to the less developed members of the Organization. The period covered is 1956-59.<sup>1</sup>

The new document covers the flow of capital on both public and private account. It is based on a questionnaire to O.E.E.C., associated countries and

<sup>1</sup> *The Flow of Financial Resources to Countries in Course of Economic Development 1956-59*: O.E.E.C.

Japan, and it covers information on the flow of financial resources from these countries to all under-developed countries outside the Sino-Soviet block. It shows the nature and size of the contributions made by individual countries and gives figures of official grants and loans, reparation payments, consolidation credits, guaranteed private export credits and all other private lending and investment with a maturity of over one year and also contributions to the multilateral agencies. This report is a first stage in the compilation of statistics on the flow of capital. The countries already participating have agreed to set up a regular reporting system to keep the data up to date and improve upon it.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 68

ONE of my weaknesses is prowling around book-shops, preferably those old-fashioned ones in the side streets, which have second-hand sections. You can come across the most amazing old volumes there . . . ancient sets of Dickens or Thackeray with beautiful illustrations, including the original Phiz sketches; Scott, with those Victorian pictures where everyone gesticulates with gracefully-waving arms while their curls flow over their shoulders, and stacks of dull memoirs of forgotten politicians jostling Henty's adventures.

Last week, I ran into my young cost accountant hunting for textbooks for his latest correspondence course, and he introduced me to a hitherto unknown back room. Here was the concentrated essence of the brains of industry. All the second-hand volumes from generations of students were massed on shelves together, with names like a roll-call of past examinations. Here stood *Stevens' Mercantile Law* with *Palmer's Secretarial Practice*, *Spicer and Pegler* beside *Carter and Munro*, and *Crewe's Meetings* on a pile of dog-eared paper-backs. They were soiled and annotated and underlined, the flotsam of nights of solid grind - the worn stepping-stones to past successes. They were also shockingly expensive.

My poor assistant looked rather forlorn as he checked the prices; it's not easy for young married men to shoulder extra burdens. I decided to lend a hand.

'We've no accounts library in the office,' I began with rather laboured diplomacy. 'We need textbooks for ready reference; how about buying a stock of these and making them available to our people as required? Maintenance of fixed assets, to wit, permanent staff, sounds a reasonable allocation of the charge.'

He looked suspicious for a moment. He has a

touchy independence sometimes and a hint of charity would be a major *faux pas*, but I bumbled on obliviously and we ended up well. We bought about ten books there and then, nearly all directly useful to him; over the years, it should be a good investment - provided, of course, that our tough deputy-chairman doesn't get to hear of it, or I'll really get a rocket.

Something funny happened then. I saw an old illustrated book entitled *The Dash for Khartoum*, and it brought back boyhood memories. My elder brother had one like it once; I recognized all the pictures. There was Gordon on the ramparts, and the desert oasis, and the Mahdi, and Burnaby, sword in hand, beside the serried square at Abu Klea. I could recall lying flat on the floor reading it avidly. . . . Then I turned to the title page and there saw my brother's name! It's nearly thirty years since we broke up home and sold the library, well over a hundred miles away, and here was the book back from the past again. I can't calculate the odds against such a chance happening.

I told my companion about it, but he wasn't interested. To him, the fuzzy-wuzzies rank with Hengist and Horsa; he just said it was odd - his thoughts were elsewhere.

It's strange, though, how childhood ideas die hard. I can remember a picture of a pith-helmeted sentry sitting on a sand-dune, alert and cheerful, his rifle held upright in his right hand, in his left a canteen. The legend under the illustration read *His Martini is the trooper's best friend*. Somewhere in the background, one of my uncles was telling of the rum rations issued before a charge from the trenches on the Somme; someone else quoted Wellington's dispatch from Torres Vedras about his hard-marching red-coats being at their best in the wine provinces; and the tinkle of ice in gin and vermouth marked their preparation of a tasty concoction. No wonder I used to believe that England owed her victories to the inspiration of alcohol.

I failed to explain this one also to my assistant. As a strict teetotaler, he didn't even know what a Martini was, so it seemed pointless to talk about the Martini-Henry rifle of the relief column.

# Finance and Commerce

## A.M.C. in America

THE accounts of Associated Motor Cycles Ltd have appeared before in this section but there is a new interest in this week's reprint of the recently-published figures to August 31st, 1960. These are the first accounts to report on the results from the American subsidiary.

A.M.C. went to America *via* J. Brockhouse (of 'Corgi' fame). Brockhouse tried its hand there by acquiring the Indian organization with its long American history; A.M.C. took over and a wholly-owned subsidiary was registered in America as from September 1st, 1959, for the purpose of expanding the sales potential throughout the U.S.A. Already, Matchless and Norton machines have taken first, second and third places in the first European-style races which were held this year.

Mr D. S. Heather, the chairman, is confident that the American business will yield profits to the group and, as it happened, there was one shareholder at the recent annual meeting who had visited America and believed that the future of the business as a whole might well lie in the U.S.A.

But the first results to be announced of the American subsidiary are in the red. Mr Heather claimed that a loss was to be expected. For one thing, owing to a change-over of premises, no sales were possible for four months.

## Separate Account

How the board has accounted for the American business can be seen in the reprinted accounts where a separate profit and loss account for the subsidiary is given. Of importance, too, is the note beneath the account drawing attention to the carrying forward of expenses for the initial four-month period under 'Deferred expenditure' in the balance sheet.

Mr Heather explained that the presentation of this separate picture of the American business was supported by the best advice. The businesses in this country and America were utterly different in character. There could be no real comparison between the two. Critics at the meeting referred to it as 'extraordinary' accounting. One objective of the criticism was to show that whatever might appear from the consolidated profit and loss account (excluding the American subsidiary), that position looked very different when the American figures were, in fact, brought in.

That is one of the difficulties, of course, when a separate statement is presented. The remedy seems

to be to provide a general summary of the results from all activities. There would then be no grounds for the contention that one part had been separated in order to make the remainder look better than it actually was. There is good reason for giving a separate American profit and loss account, especially with manufacturers in Britain being strongly exhorted to go into the American market.

Considering what the home market has been like with the Government's stop-go-stop hire-purchase rules, the company's figures look better than might have been expected. As Mr Heather said: 'One can plan for good trade, one can plan for bad trade; but it is quite impossible to plan in advance to deal with such wild and unexpected fluctuations in trade as have been caused in our industry in recent years by changes in Government controls.'

## Rental Agreements

A NEW item in the accounts of Mann, Egerton & Co Ltd is 'Goods with customers under rental agreements - £34,530', with the comparison for the previous year at £21,398. The item appears below the total for fixed assets to which it is added.

The company is one of the well-known names in the motor distributing trade and the new item may obviously be read in conjunction with the chairman's statement that a separate subsidiary has been registered to run the vehicle contract hire business which, he says, though highly specialized, is capable of producing good profits. The balance sheet item refers to Note 4 which shows goods with customers under rental agreements at a cost of £62,689, with £28,159 for accumulated depreciation.

The company's name is so popularly associated with motor distribution, that it as well that a page of the report has been devoted to a statement of other activities: electrical engineering, and school and office furniture making. There is also a useful list of the car depots, addresses and phone numbers.

### ASSOCIATED MOTOR CYCLES LIMITED Profit and Loss Account of the American Subsidiary for the Year ended 31st August, 1960

	£	£
TRADING LOSS .. .. .		43,951
(subject to the note below)		
Add: Depreciation of Fixed Assets .. .. .	1,056	
Interest Payable .. .. .	6,850	7,906
		51,857
Deduct: Subvention payment from another Subsidiary Company .. .. .		52,042
Balance: Carried forward to Consolidated Balance Sheet		£185

NOTE:—The above loss is shown before charging expenses amounting to £27,679 for the initial period of four months ended 31st December, 1959. These expenses together with organisation costs and moving expenses of £3,722 have been carried forward in the Balance Sheet at 31st August, 1960 and deferred to future accounting periods.





## CITY NOTES

UNFOUNDED rumours of sterling devaluation or revaluation have not in themselves disturbed the City to any material extent, but in the stock-markets heed has been paid to the comments surrounding the currency moves. Comment has brought to the forefront of investment discussion, the point which most investment commentators were making when they forecast a bear market at the turn of the year – the United Kingdom's current payments deficit.

The basic problem is a monthly trade deficit running at more than twice the size of a year ago. Whatever manoeuvring there may be in foreign exchange rate it is trade, so far as sterling is concerned, that counts in the long run. Unless the trade gap is narrowed – and narrowed considerably – there must be continued pressure on sterling.

This month, gold and currency reserves will almost inevitably show a further reduction – and probably of something much more than February's £18 million. The cost of supporting sterling in the foreign exchange market has been heavy at a time when the reversal of the 'hot money' trend would in any event have meant a downturn in the reserves position.

In the stock-markets this has been translated into a marked tailing off in the volume of business in the industrial equity sections. For some time institutional investors have been treating the equity market cautiously, but the froth of take-over business has persistently attracted small support. But even that optimistic buying now seems to be drying up.

Although the Budget is still a month off, it seems probable that the stock-market – and particularly the equity section – is now moving into a less decisive phase. No harsh setback is anticipated but the market may find it hard to stage a fresh advance.

## RATES AND PRICES

Closing prices, Wednesday, March 15th, 1961

Tax Reserves Certificates interest rate (26.11.60) 3%

## Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

## Treasury Bills

Jan. 6	£4 6s 10.38d%	Feb. 10	£4 6s 0.56d%
Jan. 13	£4 6s 1.51d%	Feb. 17	£4 7s 7.63d%
Jan. 20	£4 3s 8.22d%	Feb. 24	£4 7s 11.85d%
Jan. 27	£4 3s 3.70d%	Mar. 3	£4 8s 10.41d%
Feb. 3	£4 3s 4.46d%	Mar. 10	£4 9s 9.54d%

## Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4½-4½%	2 months	4½-4½%
Fine Trade Bills		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

## Foreign Exchanges

New York	2.79 18-80	Frankfurt	11.11 8-18
Montreal	2.76 18-32	Milan	1743 18-18
Amsterdam	10.06 18-18	Oslo	20.00 18-18
Brussels	139.49 18-18	Paris	13.71 18-72 18
Copenhagen	19.33 18-18	Zürich	12.11 18-18

## Gilt-edged (revised List)

Consols 4%	64½	Funding 3% 59-69	81½xd
Consols 2½%	42½	Savings 3% 60-70	79
Conversion 5½% 1974	95	Savings 3% 65-75	71½
Conversion 5% 1971	92 18	Savings 2½% 64-67	84½
Conversion 3½% 1969	84 18	Trea'y 5½% 2008-12	91
Conversion 3½%	56½xd	Treasury 5% 86-89	85 18xd
Exchequer 5½% 1966	98½	Treasury 3½% 77-80	72½
Funding 5½% 82-84	95½	Treasury 3½% 79-81	71 18
Funding 4% 60-90	80½	Treasury 2½%	41½
Funding 3½% 99-04	62½	Victory 4%	95 18
Funding 3% 66-68	83	War Loan 3½%	58

## Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

## Collico Dealings Ltd v. C.I.R.

In the House of Lords – March 2nd, 1961

(Before Viscount SIMONDS, Lord MORTON OF HENRYTON, Lord REID, Lord RADCLIFFE and Lord GUEST)

*Income tax – Dividend-stripping – Person entitled to exemption – Company resident in Republic of Ireland – Income Tax Act, 1952, Section 349, Schedule XVIII, paragraph 4 – Finance (No. 2) Act, 1955, Section 4 (2).*

The appellant company was incorporated in the Republic of Ireland, and was resident there, and was

not resident in the United Kingdom. It claimed repayment in respect of dividends, but the Inland Revenue refused repayment on the footing that there had been a process of dividend-stripping, and that the appellant was 'a person entitled under any enactment to an exemption from income tax which extends to dividends on shares', so that Section 4 (2) of the Finance (No. 2) Act, 1955, applied, and the claim was therefore refused.

On appeal to the Special Commissioners it was contended on behalf of the appellant that the words quoted did not apply to residents of the Republic of Ireland. The Special Commissioners accepted this argument, and allowed the appeal.

*Held* (affirming the decision of the Court of Appeal): the words quoted included persons in the position of the appellant; and that the claim to repayment was barred by Section 4 (2) of the Act of 1955.



# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Decimal Currency

SIR, — I was amazed to read in Mr J. King-Farlow's letter in your issue dated March 4th, that there would be 'absolute chaos' for a considerable period after the introduction of decimalization of the British currency.

I was in India at the time they introduced a decimal currency there and, vast measure though it was in a country of that size, with 400 million population — with correspondingly vast consequential problems — there most certainly wasn't anything remotely approaching 'chaos', let alone 'absolute chaos'. Difficulties there were, but of a purely transitional character, and overcome almost as they arose.

No, we have got to face up to this change (having, I hope, learnt from the experience and errors of our more far-sighted and enterprising predecessors in this field), or else we shall very shortly be out of step with the whole world, including the Commonwealth.

The Council of the Institute is to be congratulated in displaying a high sense of responsibility and leadership in advocating this change — not for the mere sake of it, but because the decimal system is so obviously superior to our present outdated and thoroughly inefficient one.

Yours faithfully,

Croydon.

H. A. BENNETT, F.C.A.

SIR, — I am delighted to see from Mr King-Farlow's letter published in your March 4th issue that there are at any rate two of us who oppose the decimalization of our currency. I earnestly hope that whatever recommendations have been or will be put forward on the part of the Institute will give adequate representation to the minority view.

Mr King-Farlow puts forward his objection mainly from the point of view of the small practitioner. While I support this I think there are other and perhaps more powerful reasons for opposing decimalization of our currency.

Greater speed, accuracy and simplicity are claimed as the main advantages of the proposed change. Education in the elementary things of life being what it is today, I question very much if the office junior or articulated clerk of tomorrow will be any more likely to arrive at the correct answer by adding up in United Kingdom dollars and cents than his present counterpart does in pounds sterling, shillings and

pence. Will someone more enlightened than I am also tell me how using decimals will make it any less likely that machine operators will press the wrong key, or that the machines themselves will be any more reliable in operation.

So far the controversy has largely been confined to the currency, but would this in itself be any advantage without adopting the metric system as a whole? What an awful prospect! For example, are all the brewers going to change the sizes of their casks? If they do not, are we going to ask for forty-and-a-half litres of beer, or a good old-fashioned firkin?

Do we alter the size of a rugby pitch so that the twenty-five yard line becomes the twenty-five metre line, or do we settle for the metric equivalent of twenty-five yards which I think is twenty-three point something? What do they do on a French rugby pitch, anyhow?

And what will examiners do without rods, poles or perches, to say nothing of roods and pecks? These are only a few of the problems which will arise. More ingenious minds than mine will foresee many others.

But I think the greatest possible objection is the sacrifice of our traditions and individuality. Whatever the sponsors may say it is inevitable that the introduction of decimal currency will deprive us of the words 'sovereign', 'sterling', 'guinea' — and if the guinea disappears and we are deprived of our odd shilling, how are we ever to make a profit?

Yours faithfully,

Maidstone.

R. W. SMITH.

## The Small Practitioner and Registration

SIR, — So much has been said recently on this subject that I think it is time some thought was given to the fundamental object of the Institute and its relations with the profession.

The Institute of Chartered Accountants in England and Wales was formed for the profession of public accountants. That seems to be forgotten sometimes. The words 'chartered accountant' now indicate a technical qualification rather than a profession, but the profession of public accountant should still be the Institute's first concern, and this includes the 'small practitioner'.

It is deplorable that the small practitioner is often spoken of either scornfully or patronizingly, when really he is the very person for whom the Institute was formed. I admit to being a small practitioner myself, but I hold myself out to be a public accountant, and the Institute accepts my subscription accordingly.

I am not trying to decry the member not in practice. He has been found fit to be a public accountant, for which his training was designed, but he has decided to do other things. Whether he is a good company director, or salesman, or whatever he does, is not our concern and we cease to own him altogether if he goes bankrupt or does something which goes against our rules. But he is not a public accountant.

We now lack a body whose prime interest is the profession of public accountant. The voting power of the Institute is now in the hands of members not in practice, and I see not the slightest chance of any notice being taken of my views, which might be thought to go against the interests of the majority of members. The Council is still mainly composed of public accountants, though I feel at times that although they form a very distinguished and able body, they are not a typical sample, and that their problems are not those of the small practitioners who probably form the majority of members in practice.

The referendum regarding registration suggested by a correspondent in your issue of February 11th is hardly likely to succeed, but I am convinced that only if the profession of public accountant is our first aim is the reputation of the Institute likely to be raised.

Registration of the profession may be difficult now because we are over half a century too late, although it would probably be better now than even later; but at least we could tell the world, through advertisements, whom to choose among the large number of accountants in practice.

We say that 'Members of the Institute are not allowed to advertise or circularize for business'. That is not quite true. What we mean is 'Members of the Institute in practice as public accountants are not allowed to advertise or circularize for business'. There is no reason why the Institute should not advertise.

This suggestion, however, although practical, is secondary to the great need for the Institute to concentrate on the needs of the public accountants for which it was formed.

Yours faithfully,

*Bromsgrove, Worcs.*

C. R. SHAKESPEAR.

### Chartered and Incorporated Accountants

SIR, - I noted with interest the letter written by Mr Towsey, published in your issue of March 4th. I share his embarrassment and I think that it is high time that The Institute of Chartered Accountants in England and Wales realized that it is big enough to act generously and to extend justice to members who satisfied examiners in the same manner as many members who are now allowed to use the respected designation. At the time of the 'anschluss' I held office as president of a district society and recognized the general good which would benefit the profession as a whole, and I was encouraged to offer no objection to the terms of the 'take-over' by the promises of those who would gain full membership to support, at a later date, the removal of the principle of apartheid which was being adopted.

Like your correspondent I find it extremely difficult to explain the term 'incorporated accountant'. As a chief financial officer of a large authority I held a practising certificate and had articulated pupils, but this fact made no difference to the terms of my continued

membership. I have always maintained a great interest in student activities and have given many lectures in all parts of the country, so it is not surprising that I have a large correspondence arriving at my home; it was the practice of these letter writers to give me the benefit of the doubt and although I have used headed notepaper to clear away the doubts, I still receive letters addressed to me as 'F.C.A.'. The position was more than embarrassing when I attended a public function at which my bank manager was the incoming president and in reference to his personal guests described me as a 'chartered accountant'. Obviously the misunderstanding had arisen from a talk about standing orders to pay professional subscriptions.

At the annual general meeting in a district to which I have recently come to live, I asked the chairman for the Council's views on the castaway ex-members of the Society and was very amused by his delightful reply. He suggested that there was no problem at all; there would be no more of them and that as there was a limited number they would solve their own anomalous existence by dying out. The looks bestowed upon me by the members present showed that my question was regarded as in bad taste and that the sooner we exchanged our F.S.A.A.'s for R.I.P.'s the better.

Yours faithfully,

*Sale, Cheshire.*

H. K. GREAVES,

F.S.A.A., F.I.M.T.A., A.A.C.C.A.

SIR, - As an incorporated accountant I should like to second Mr Towsey's comments (March 4th issue) concerning our grievances.

In my own case, I qualified after only three years in the profession, but if I had taken five years I would now be a full member. I am also excluded by the time limit placed on post-qualification experience as I left the profession only two years after qualifying, whereas had I stayed for a further year I would be eligible for full membership.

Having served for five years, all in London, with one of the larger firms of chartered accountants and now making a career in commerce, I look forward to a reconsideration of the rules that permanently exclude us from full membership.

Yours faithfully,

*Maidstone, Kent.*

A. J. ELLIOTT, A.S.A.A.

### Information for Shareholders

SIR, - Why is it that so many companies who regale their shareholders with beautifully printed reports and accounts, often embellished with pictures and lengthy statistics, cannot also tell them somewhere in such publications when their proposed final dividend will be paid if approved at the annual general meeting? After all, this may be even more important to the shareholders than either the pictures or the statistics!

Yours faithfully,

*Haywards Heath, Sussex.*

H. F. JOYCE.

# For Students

## AUDITING

### Verification of Assets

#### Question

*Write brief notes on the points to be observed in the verification of the following assets of a limited company:*

- (a) freehold properties;
- (b) motor vehicles;
- (c) plant; and
- (d) trade debtors.

#### Answer

(a) *Freehold properties.* The title deeds should be inspected, noting that they appear to be in proper sequence and that the last conveyance is to the company or its nominee. If the title to the property is in the name of a nominee on behalf of the company a letter of acknowledgment that the property is so held should be obtained from the nominee. If the properties or any of them are registered at the Land Registry, the Land Registry certificate should be seen.

In respect of any of the properties that may be mortgaged, the last receipt for interest should be seen, and a certificate obtained from the mortgagee as to the custody of the deeds and the amount of the debt including interest. It should be ascertained that the properties are insured in compliance with the covenant in the mortgage deed.

Normally, freehold properties should appear in the balance sheet at cost, and if any of the properties have been acquired during the current accounting period, this should be verified by reference to the contract for sale, the solicitor's completion statement and the paid cheque. Where any of the properties have been revalued for the purpose of insurance or otherwise, the valuer's certificate should be seen and the entries (if any) giving effect to the revaluation verified.

It is not usually considered necessary to provide for depreciation of freehold land, but some provision should be made for depreciation of the building, and if this has been done the provision should be checked. If no provision for depreciation has been made this fact must be stated in a note appended to the balance sheet.

Corroborative evidence of the existence of land and buildings may be provided by the availability of receipts for local rates, Schedule A income tax, and other outgoings, and, where the property is let, the receipt of rents.

(b) *Motor vehicles.* A schedule of all motor vehicles owned by the company should be produced to the auditor, together with the registration books and insurance policies appertaining thereto. The payment of road tax and insurance premiums should be vouched.

The cost of vehicles acquired during the year should be vouched by reference to the invoices and receipts (or paid cheques) appertaining thereto; it should be seen that the correct book-keeping adjustments have been made for revenue items (e.g. road tax) included in the total cost and for allowances on vehicles given in

part exchange. The proceeds of all vehicles sold during the year should be vouched and it should be seen that the original cost of these vehicles has been eliminated from motor vehicles account and that the appropriate adjustment has been made for any loss on sale or excess provision for depreciation, as the case may be.

The calculation of the provision for depreciation should be checked. It should be seen that the method used has been applied consistently and that the total amount provided to date is reasonable having regard to the comparatively short life of most vehicles.

(c) *Plant.* The cost of plant acquired during the year should be vouched by reference to invoices and, where applicable, hire-purchase agreements and costing records of plant constructed or installed by the company's own workmen. The proceeds of sale or insurance moneys received in respect of plant sold or destroyed during the year should be vouched by reference to such evidence as is available, but as regards any plant that may have been scrapped the auditor will be dependent on the system of internal check in regard to such disposals. If a plant register is kept the final balance on plant account representing the cost of plant owned at the balance sheet date, should be reconciled therewith. A test check of the existence of the plant appearing in the register should, if possible, be made by the auditor.

The calculation of the provision for depreciation, including any necessary adjustment for plant put out of use during the year, should be checked.

(d) *Trade debtors.* The system of internal check in regard to sales and the collection of cash from trade debtors should be considered. The sales ledger balances should be checked to the schedule of trade debtors, particular attention being paid to any balances which have been outstanding, either in whole or in part, for more than the normal maximum period of credit and to the 'make up' of the balances where they do not consist of specific items.

Entries made in the sales ledger in the period subsequent to the date of the balance sheet should also be considered as they may reveal exceptionally large credit notes or allowances made in respect of invoices rendered before the balance sheet date.

The adequacy of the provision, if any, for bad and doubtful debts must be considered in the light of the foregoing.

### Verifying Work in Progress

#### Question

*State the main points to be considered when verifying and checking the valuation of work in progress in the balance sheet of a firm of contractors engaged chiefly in road making and repairing, sewerage schemes, excavations, etc.*

#### Answer

The main points to be considered when verifying and checking the valuation of work in progress in the case referred to are as follows:

(1) The system of internal check, with particular reference to the checking and payment of suppliers' accounts, the control over materials on the sites, the calculation, recording and payment of wages, and the maintenance of reliable costing records. In the absence of an adequate costing system complete verification of the value of work in progress would not normally be possible.

(2) The entries in the costing ledger in respect of all jobs in progress at the date of the balance sheet. These should be checked by reference to suppliers' and sub-contractors' accounts and pay sheets. If the system of internal check is satisfactory a test check will normally be sufficient. The test should extend to such evidence as is available (e.g. delivery notes, etc.) of the delivery of materials and hired plant to the sites of the jobs in question.

(3) The correlation of the entries in the costing ledger with the corresponding entries in the financial books, in order to ensure that all materials and other costs included in the valuation have either been paid for or are included in current liabilities.

(4) The basis on which any addition to prime cost in respect of overhead expenses or establishment charges has been made. As most of the larger items of expenditure will be identifiable with specific contracts and treated as prime cost expenditure, any addition for overheads should be comparatively small. The calculations should be tested and it should be seen that the same basis is applied consistently.

(5) The basis on which charges are made to the contracts for use of the contractor's own plant. If these

charges are excessive the value of the work in progress will include an unrealized internal profit, against which provision should be made.

(6) The value attributed to each contract in relation to:

(a) Engineers' or surveyors' certificates of the value of work certified to date, the extent to which payments on account have been received and the duration of any 'retentions'.

(7) The extent (if any) to which profit has been included in the valuation of work in progress. It should be seen that credit has only been taken for a reasonable proportion of the profit to date, and that full provision has been made for contingencies and losses.

(8) The identification of the charges to customers for work done with the costing records of the contracts to which they relate, in order to establish that there has been no duplication of values by the inclusion in work in progress of amounts already received from customers or included in sales ledger balances.

(9) The detailed reconciliation of the items in the schedule of work in progress with the balances on the costing ledger, and the certification of the schedule by a competent responsible official.

## New Legislation

*All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.*

### STATUTES

#### 9 Eliz. 2

#### Chapter 5: National Insurance Act, 1960

An Act to amend the rates or amounts of contributions and benefits under the National Insurance (Industrial Injuries) Acts, 1946 to 1959, and the National Insurance Acts, 1946 to 1959, not being graduated contributions or graduated retirement benefit; to modify the provisions of the National Insurance Act, 1946, under which persons are treated as having retired; and for purposes connected with the matters aforesaid.

*Price 1s 3d net.*

*December 20th, 1960.*

#### Chapter 6: Ministers of the Crown (Parliamentary Secretaries) Act, 1960

An Act to replace the existing limits on the numbers of Parliamentary Secretaries in individual departments by a single aggregate limit; to authorize the payment of a salary to a Parliamentary Secretary to the Minister for Science; and to increase the salary of the Captain of the Gentlemen-at-Arms.

*Price 6d net.*

*December 20th, 1960.*

### STATUTORY INSTRUMENTS

#### The Building Societies (Forms and Fees) Regulations, 1961 (S.I. 1961 No. 36)

These regulations prescribe the forms of certificate to be issued by the Registrar under the Building Societies

Acts, 1874 to 1960, and of application, notices and other documents to be sent to him by building societies under those Acts. They also prescribe the fees payable in connection with the Registrar's functions.

The regulations supersede the statutory provisions and regulations which previously governed those matters.

*Price 1s 3d net.*

*January 23rd, 1961.*

#### The Exchange Control (Authorized Dealers and Depositories) (Amendment) Order, 1961 (S.I. 1961 No. 112)

This Order amends the list of authorized dealers in gold and foreign currencies and of authorized depositories for the purpose of the deposit of securities, under the Exchange Control Act, 1947.

*Price 2d net.*

*January 24th, 1961.*

#### The Financial Statements (Parishes) Regulations, 1961 (S.I. 1961 No. 251)

These Regulations, which replace existing ones, prescribe the form of the financial statement submitted by parish councils and parish meetings to the district auditor under Section 222 of the Local Government Act, 1933, and the form of the certificate appended by the district auditor to the statement under the same section.

*Price 4d net.*

*April 1st, 1961.*

# VALUE OF GRADUATES IN THE PROFESSION

## Birmingham Chartered Accountants' Dinner

The value to the profession of graduate entrants was stressed by Dr A. L. Goodhart, (HON.) K.B.E., Q.C., LL.D., F.B.A., Master of University College, Oxford, at the annual dinner of the Birmingham and District Society of Chartered Accountants last week.

Dr Goodhart, who was proposing the toast of 'The Institute of Chartered Accountants in England and Wales', said that he was delighted to see that there had been an increase in the number of university men who had gone into the accountancy profession. He thought it was an excellent thing for two reasons.

### Trained to ask 'Why?'

The first was that the university man could contribute something to the profession by virtue of the fact that the whole trend of university training was to teach a man to ask 'Why?'

The university man had been trained not to accept anything merely because it had existed for a long time, but to ask, 'Should this continue? Why do we do this?'

The second reason, of equal importance, was the contribution that accountants could make to the universities. This, said Dr Goodhart, was something which had not been sufficiently recognized in the past, or was being sufficiently recognized even today.

There were certain parts of university study which could not be fully understood without a certain knowledge of accountancy – for example, certain aspects of economics and certain aspects of law. These subjects could not be fully developed without the knowledge and help of accountants.

Most of Dr Goodhart's speech was in more light-hearted mood. He referred to the number of lawyers present and suggested that this close connection of accountants and lawyers was a natural thing. 'Accountants tell us what we can do, and lawyers defend us after we have done it,' he explained amid laughter.

Dr Goodhart confessed that had it not been for the Institute he would not have been in England. His father was an American banker whose accountants were – as was universal in those days – an English firm. 'English accountants have played a tremendous role in world economics and commerce,' he continued. 'Wherever they have gone, they have set a standard. I don't think that it is at all surprising, because after all, a man who is able to deal with pounds, shillings and pence is the kind of man who can deal with any foreign currency on his head.'

His father, Dr Goodhart went on, had such a tremendous admiration for English accountants, who represented for him English standards of banking and commercial life, that Dr Goodhart himself, after passing through an American university, was sent to Cambridge, to Trinity Hall. In those days, he said, it was much easier to get into a university than it is now. At the time he was the only American at the university, and except for the slight language difficulty in that he could not understand them and they could not understand him, he got on very well. He had intended to read economics and accountancy, but in those days –

1912 – they did not 'go in for economics' at Cambridge, and the arrangements about accountancy, he was told, were not very satisfactory at the Hall, so he read law instead.

### Parker Committee Report Imminent

Responding to the toast, Mr S. J. Pears, F.C.A., President of the Institute, said it was difficult towards the end of the President's tour of the district societies' dinners to find some new topic upon which to comment. He would have liked to have been able to say something about recruitment, education and training but as the Parker Committee's report was now practically ready and would be under consideration by the Council very shortly it would be inappropriate for him to do so. Similar considerations applied to research which was at present being considered by the Technical Activities Committee.

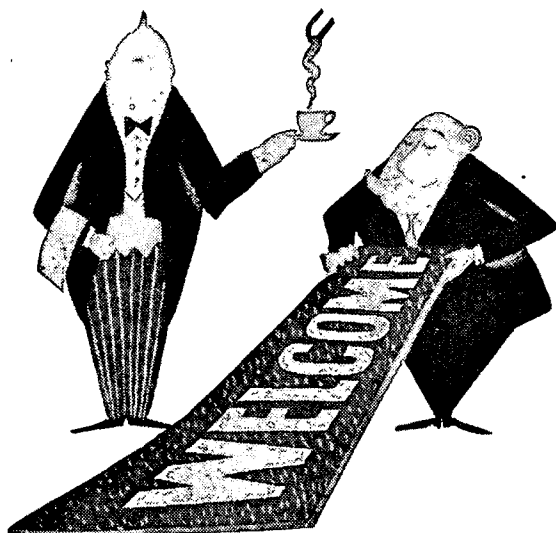
The President felt that the question of stock valuation had been dealt with fairly extensively. Recommendation 22 had approved a measure of flexibility in the methods which could be adopted in stock valuations, provided the principles adopted were consistently applied. 'There could be no doubt that directors and auditors had a duty to see that reasonable steps were taken to see all stock was included in the balance sheet and was valued on a consistent basis on sound accounting principles.'

### Accountants in Industry

Referring to accountants in industry, Mr Pears said that while the committee representing their interests had, perhaps, not been particularly active, it had a number of projects in mind. He felt, however, that apart from the activities of the committee, industrial accountants could become more active in industry. A good deal could still be done towards improving the costing of British industry and he personally was strongly in favour of attempts being made to work towards uniform systems of costing throughout a particular industry. The most dangerous competitor in a time of a buyers' market was a concern which either did not know its costs or costed on a basis totally out of line with its competitors. Although there were occasions when selling prices could be fixed with advantage on the basis of recovering prime costs, variable overheads and some contribution towards fixed overheads and profit for a part of the turnover, to fix prices of all sales on this basis would be disastrous.

There had been some evidence in Birmingham that this was happening, and it could only result, ultimately, in the ruin of the companies who adopted this policy and in very serious effects on other companies in the same industry.

The toast of 'Our Guests' was proposed by Mr E. J. Newman, M.A., F.C.A., President of the Society, who presided. Replying, Mr C. V. Hancock, M.A., described the chartered accountant as 'one of the greatest blessings of modern times – like aspirin tablets, he can get rid of headaches without impairing the digestion'.



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# Electronics in the Office

## New London Computer Centre

WHAT is claimed to be the most powerful computing centre in Europe is being opened next June by IBM United Kingdom Ltd at 58 Newman Street, London, W1, for the use of commercial and scientific organizations which wish to write their own computer programmes and operate the machines themselves. To be known as the IBM Data Centre, it will be equipped with IBM 7090 and 1401 data processing systems, as well as supporting equipment.

Although, at the data centre, the customer accepts full responsibility for operations, maintenance staff will be provided and also specialists who, without any additional charge, will be available to advise customer programmers and operators on the most effective use of the equipment. They will also give programming courses.

## Automatic Identity Code

A PROGRAMME developed for the IBM 650 computer introduces a new approach to the filing of records in a large organization which, it is claimed, will save space, time and mistakes. Called AUTOPICT, for Automatic Personal Identification Code, the programme automatically converts any name into a 'numerical signature', fifteen characters in length. Of these, the first ten are derived from combinations of letters in the name and the remaining five are codes representing personal data to be recorded, which may include home address, occupation, description and date of birth.

By this means it is possible to eliminate separate files maintained by different classifications and to produce a single, consolidated master file based on all recorded personal data. Although arranged by number – only the first character of the code is a letter – code numbers are, in effect, maintained in the alphabetic order of the original name file.

In the event, where a file contains two persons with identical names and personal data, the AUTOPICT code will be identical for both, but provision is contained in the programme for these to be recognized and re-coded. At present the AUTOPICT is available only for the IBM 650 computer, but programmes are under development for its conversion to other IBM data-processing systems.

## Overcoming Programming Costs

A NEW solid state electronic data processing system known as the Burroughs B5000 claimed to overcome the short-comings of the most advanced systems to date – wasted manpower and unused speed – was announced recently by Mr G. S. George, managing director of the Burroughs Adding Machine Company.

'The system, which is in the medium-price range, will provide an ease of utilization which some experts predicted would not be forthcoming for another decade,' said Mr George.

It departs from traditional concepts of computer design to cut drastically the programming time and problem-solving costs associated with conventional computer systems. Computer engineering technology, in providing high internal machine speeds, has far outstripped the ability to use this speed efficiently. Each time speed was increased it became more difficult to communicate with the computer and control its behaviour. Because users had to communicate with previous electronic computers in complex numerical codes, a language foreign to them, they devised highly complex methods to bridge the communications gap. The B5000, it is claimed, will drastically reduce programming costs because it is the first system to be specifically designed to accept programmes written in algebra (for scientific and engineering problems) or in English language statements (for business data processing).

In conventional computers a single unit (e.g. card reader, printer, arithmetic and memory) is rarely, if ever, used more than 50 per cent of the time. More often individual units are actually performing their assigned functions only 2 to 25 per cent of the time. The B5000 makes maximum use of all parts of the system because of its design. If the computer runs out of work, it automatically switches over to self-testing maintenance routines.

## Computer Film

A 16 mm colour film made recently by International Computers & Tabulators Ltd, entitled 'Satisfied users', consists of interviews with heads of computer departments from a wide variety of firms and organizations that are using the I.C.T. 1200 series of computers.

The selection is sufficiently representative to make clear the role of these computers in the many applications involved, including production control, costing, payroll production and subsidy payments. The film, which has a running time of thirty minutes, is available free on loan from International Computers & Tabulators Ltd, 149 Park Lane, London, W1.

## Farm Account Analysis

OF interest to accountants who deal with farm accounts is the development which is taking place in farm management by computer. An article in the *Farmer and Stock-Breeder* for February 28th, states that a new service is being undertaken by the National Agricultural Advisory Service based upon account analysis by means of electronic data processing.

Already trial runs are in progress. One pilot unit in Buckinghamshire is able to process accounts from upwards of two thousand farms a year. And in Westmorland and Wiltshire linear programming has undergone trials – the Wiltshire project upon a Pegasus computer based at Southampton.

The N.A.A.S. has access to at least three large computers as well as the mechanized accounting systems at the Guildford office of the Ministry of Agriculture. In fact, states the article, the farm management advisory project is well on the way to being a national service, to be had for the asking, free.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS BUXTON, BERESFORD & Co, Chartered Accountants, formerly of Basing House, 17 Basinghall Street, London, EC2, announce that their address is now 27-28 Finsbury Square, London, EC2. They also announce that as from January 1st, 1961, Mr MICHAEL JOHN FITZGERALD, C.A., and Mr JOHN BERRY, A.C.A., formerly members of their staff, have been admitted to partnership. The style of the firm will remain unchanged.

MESSRS LEIGH, LAWLER & HOOPER, Chartered Accountants, announce that, as from March 18th, Mr COLIN MEAD, F.C.A., retires from the practice by mutual consent and will commence to practise on his own account at Permanent House, 10A Hoghton Street, Southport. The remaining partners, Mr WALTER E. S. HOOPER, F.C.A., Mr MICHAEL S. ISHERWOOD, A.C.A., Mr SYDNEY S. RILEY, F.C.A., and Mr DAVID H. ROPER, A.C.A., will continue to practise at 55 Hoghton Street, Southport, as LEIGH, LAWLER & HOOPER.

MESSRS MORRISH, WALTERS & Co, Chartered Accountants, of Provincial House, 98-106, Cannon Street, London, EC4, announce that their senior partner, Mr HAROLD LAKEMAN, F.C.A., retired on February 28th, 1961, after more than forty years as a partner. The practice is being continued by the remaining partners.

## Appointments

Mr Geoffrey R. Clarke, F.C.A., managing director of Valves Ltd, has been appointed an additional director of the parent, Clifford Motor Components Ltd.

Mr M. C. Cole, F.C.A., and Mr W. Stalley, F.C.I.S., F.A.C.C.A., have been appointed to the board of Permanite Ltd. Mr Stalley continues as secretary of the company.

Mr Herbert Thorpe, F.C.A., has been appointed chairman of The Ever-Rest Shoe Co Ltd.

Mr J. A. R. Macphail, C.A., has been appointed vice-president of the Scottish Federation of Junior Chambers of Commerce.

Mr Henry Kerr, A.A.C.C.A., formerly senior depute treasurer of Ayr County Council has been appointed treasurer of the Council.

Mr Norman Arthur Brammall, A.A.C.C.A., has been appointed secretary of Amalgamated Roadstone Corporation Ltd.

Mr R. W. Linnell, F.C.W.A., chief accountant of John Hall & Sons (Bristol & London) Ltd, has been appointed a director of the company.

## IN PARLIAMENT

### Deeds of Covenant: Income Tax Repayments

Mr BREWIS asked the Chancellor of the Exchequer how much income tax was refunded in respect of seven-year deeds of covenant in the last complete financial year; and whether he will state the amount refunded in respect of covenants made in favour of religious bodies.

Sir E. BOYLE: The amount of income tax repaid in respect of deeds of covenant during the year to March 31st, 1960, is estimated at about £13 million of which about one-tenth was to religious bodies.

*Hansard*, March 8th, 1961. Written Answers. Col. 49.

## THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

The annual meeting of the Board of Governors of The Chartered Accountants' Benevolent Association will be held at 55 Moorgate, London, EC2, at 2.15 p.m., on Wednesday, March 29th.

## AUTOMATION - MEN AND MONEY

Viscount Hailsham, Minister of Science, will open the first British conference to consider the purely social and economic effects of automation, which will be held in Harrogate from Tuesday, June 27th, to Friday, June 30th, under the title 'Automation - men and money'. Eight of the member organizations of B.C.A.C. (British Conference on Automation and Computation) have formed a sponsoring committee; they are, The Institute of Cost and Works Accountants, The British Institute of Management, British Productivity Council, Department of Scientific and Industrial Research, Institute of Personnel Management, Institution of Production Engineers, Tavistock Institute of Human Relations and the Trades Union Congress.

The conference, which will be under the chairmanship of Sir Walter Puckey, chairman of B.C.A.C., will examine not only the effects of automation within the firm itself, but also much wider issues such as the effects on the national economy, industrial relations from both the trade union and management angle, national training and educational policies, wages structure, standards of living, psychological effects and economic forecasting for industry as a whole.

Among the many speakers at the conference will be Dr J. M. S. Risk, B.COM., PH.D., C.A., F.C.W.A., A.C.I.S., F.B.I.M., director, Risk & Partners Ltd, and Mr B. D. Tait, A.C.W.A., of Cooper Brothers & Co, Chartered Accountants, of London, who will deal with the internal economic effects of automation. Further details are obtainable from the British Institute of Management (who are administering the conference), 80 Fetter Lane, London, EC4.

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**COMMUNICATIONS CONFERENCE**

A one-day conference organized by the Birmingham Branch of The Institute of Office Management is to be held on March 28th at the University Building, Bristol Road, Birmingham, on the subject of 'Recent trends in communications - to include closed circuit television in black and white'. The speaker will be Mr F. A. Hutton, communications manager of Courtaulds Ltd, supported by a speaker from E.M.I. Electronics Ltd. Further details may be obtained from the honorary secretary, Mr W. G. Edge, c/o Barklays (Furnishers) Birmingham Ltd, 8-10 Albert Street, Birmingham, 4.

**THE ASSOCIATION OF ENGLISH CHARTERED ACCOUNTANTS IN SCOTLAND**

The third annual general meeting of The Association of English Chartered Accountants in Scotland was held in Edinburgh on February 25th, and was well attended.

Mr M. G. Wittet, F.C.A., the Chairman, reported on the activities of the Association during the past year.

The following officers and executive committee were appointed to serve in 1961:

Messrs A. Adamson, F.C.A., J. P. Butler, F.C.A., H. C. Clarke, F.C.A., C. F. Cross-Rudkin, F.C.A., N. H. Macdonald, F.C.A., W. H. Palmer, F.C.A., W. T. Turner, F.C.A., R. G. Wilkinson, M. G. Wittet, F.C.A., *Chairman*, K. E. Young, F.C.A., Miss D. M. Vaughan, B.A., F.C.A., *Secretary*, 108 Hanover Street, Edinburgh, 2.

Mr W. T. Riddle, M.A., F.C.A., was reappointed honorary auditor.

**THE INSTITUTE OF COST AND WORKS ACCOUNTANTS****Birmingham Branch Dinner and Dance**

The annual dinner and dance of the Birmingham Branch of The Institute of Cost and Works Accountants was held on Friday, March 10th. Members and guests were received by the Branch President, Mr A. Cadby, F.C.W.A., and Mrs Cadby, with the National President, Mr W. S. Risk, B.COM., C.A., F.C.W.A., and Mrs Risk. The toast of 'The City of Birmingham' was proposed by Mr Cadby and the Lord Mayor's Deputy, Alderman J. J. Grogan, M.B.E., responded. Mr A. M. B. Rule, M.B.E., Principal of the Birmingham College of Commerce, in proposing the toast to the Institute, said: 'We are no longer the only workshop in the world, and doctrines of national economic self-sufficiency are stirring agrarian civilizations to make as much as they can for themselves. They want as little as possible to be beholden to the foreigner. We must court their custom, but the competition for their favour is going to be severe. I do not think it a mere pipe dream in this island to contemplate a property-owning democracy and a doubled standard of living in twenty-five years, but it will not descend on us as manna from heaven.'

Mr Risk replied to the toast. Other speakers were Mr F. Osborn, F.C.W.A., Vice-Chairman of the Branch, and Mr E. J. Newman, M.A., F.C.A., President of the

Birmingham and District Society of Chartered Accountants. The guests included the presidents of kindred societies, the City Treasurer, and the Secretary of The Institute of Cost and Works Accountants.

**Students' Course at Oxford**

A special week-end study course for students of The Institute of Cost and Works Accountants is to be held at The Queen's College, Oxford, from next Friday evening, March 24th, to Sunday, March 26th.

The course, organized by the Institute's No. 1 Area Co-ordinating Committee, will be opened at 9 p.m. on the Friday by the Committee's chairman, Mr L. Jenkinson, F.C.W.A., and will commence with a session on 'The art of study'. Two series of lectures will be given at morning and afternoon sessions on the Saturday and Sunday. The first series will deal with labour and methods of remuneration; costing of materials and material control; overheads and 'methods'; production methods and services, and book-keeping and accountancy. The second series, for more advanced students, will cover cost accountancy with special reference to historical costing methods; budgetary control and standard costing; marginal costing; accountancy, and factory management.

After dinner on Saturday there will be an address by the President of the Institute, Mr W. S. Risk, B.COM., C.A., F.C.W.A. The course will conclude on Sunday afternoon with a brains trust, followed by an address by Mr Jenkinson.

**KENT AND SUSSEX CHARTERED ACCOUNTANT STUDENTS' SOCIETY**

The annual meeting of the Kent and Sussex Chartered Accountant Students' Society was held at the Royal Pavilion, Brighton, on February 18th, when some forty members attended. The President of the Society, Mr A. G. J. Horton-Stephens, J.P., F.C.A., was in the chair and reported a year of continued progress, particularly in the Eastbourne and Kent areas of the Society.

The following officers were elected for the year 1961-62:

*President:* Mr A. G. J. Horton-Stephens, J.P., F.C.A.

*Chairman:* Mr D. B. Evans, F.C.A.

*Vice-Chairman:* Mr W. A. Honey.

*Hon. Secretary:* Mr T. T. Nash, F.C.A., 33 Lawrence Road, Hove.

*Hon. Assistant Secretary:* Mr C. J. Allan, Nevill, Hovey, Gardner & Co, 43 Church Road, Hove.

*Hon. Treasurer:* Mr R. J. Treen.

*Committee:* Messrs C. P. Beard, T. P. Buckley, D. J. Goodwin, P. G. Jagger, C. E. Okobi, B.SC.(ECON.).

*Liaison Officer with Senior Society:* Mr C. R. P. Goodwin, F.C.A.

*Branch Secretaries:* Eastbourne - Mr A. G. S. Hodgson, Plummer, Parsons & Harrap, 18 Hyde Gardens, Eastbourne. Hastings - Mr P. A. Hodge, Gibbons & Mitchell, 7 Wellington Square, Hastings. Kent - Mr M. Beal, Richard White, Spain Brothers & Co, 4 West Cliff Gardens, Folkestone.

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**MANCHESTER STUDENTS'  
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The second residential course for Intermediate and Final students to be organized by the Joint Tuition Committee of the Manchester Society of Chartered Accountants and Manchester Chartered Accountants' Students' Society will be held at Lyme Hall, near Disley, next week.

The course is intended to give students – especially those unable to attend the Saturday morning lectures at Manchester or Preston – an opportunity to hear lectures on the more important subjects covered by the examination syllabus and to discuss their problems with contemporaries and with the resident tutor, who will be available throughout the week.

**THE ACCOUNTANTS' CHRISTIAN  
FELLOWSHIP**

'Stability and security' is the title of an address to be given by Mr S. J. Levett, a member of the London Stock Exchange, at 6 p.m. on March 21st in the Oak Hall of The Institute of Chartered Accountants in England and Wales, Moorgate Place, London, EC2. All who may be interested will be welcome.

**INSTITUTE OF ACTUARIES****Re-Election of President**

Mr J. H. Gunlake, C.B.E., F.I.A., F.S.S., F.I.S., has been re-elected President of the Institute of Actuaries for 1961-62.

**Forthcoming Meetings**

An ordinary general meeting of The Institute of Actuaries will be held in Staple Inn Hall, on March 27th, at 5 p.m., when Mr E. Kingsley Read, F.I.A., will present a paper entitled 'Life office property investments'.

On Monday, April 24th, a paper by Messrs G. Heywood, M.B.E., F.I.A., and M. Lander, F.I.A., entitled 'Pension fund valuations in modern conditions', will be submitted.

**THE INSTITUTE OF INTERNAL AUDITORS  
Yorkshire Chapter**

The next meeting of the Yorkshire Chapter of the Institute of Internal Auditors will be held at 7 p.m. on March 21st, at *The Guildford Hotel*, The Headrow, Leeds, 1, when Mr R. Strachan, A.C.A., will give a paper on 'Some aspects of organization and methods'. The Secretary of the Chapter is Mr J. Coates, internal auditor, Shell-Mex and B.P. Ltd, Shell-BP House, Eastgate, Leeds, 2.

**SEVENTY-FIVE YEARS AGO**

FROM *The Accountant* OF MARCH 20TH, 1886  
**SHEFFIELD INCORPORATED  
SOCIETY OF CHARTERED  
ACCOUNTANTS**

The members of the Sheffield Incorporated Society of Chartered Accountants held their fourth annual meeting at the Wharnclyffe Hotel on the 12th inst. A satisfactory report and statement of accounts were presented by the committee. In the report reference was made to the library, which has increased in its extent and usefulness, and also to the intention of the Institute of Chartered Accountants to hold Autumnal meetings in the provinces, somewhat upon the lines of the provincial meetings of the Incorporated Law Society. It was stated that an invitation to hold the first of such meetings at Manchester in October next had been accepted, and a committee appointed to make the requisite arrangements. After the adoption of the report the meeting elected three members of the committee in place of the retiring members, and re-appointed Mr C. H. Moss, of Rotherham, auditor. The committee, as now constituted, consists of Mr W. G. Hawson, president; Mr T. G. Shuttleworth, vice-president and secretary; Mr W. F. Tasker, treasurer; and Messrs J. W. Barber, G. W. Knox, A. Macredie, W. H. Smith, W. H. Watson, and W. Wing. After the annual meeting the members and their visitors dined together in accordance with their usual custom, and spent an agreeable and pleasant evening. . . .

**ANNOTATED TAX CASES**

Part 5 of Volume XXXIX of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports with notes on the judgments of the following cases: *Bradshaw v. Blunden* (Ch.D.); *Blackburn v. Close Brothers Ltd* (Ch.D.); *Aviation and Shipping Co Ltd v. Murray* (Ch.D.); *J. P. Harrison (Watford) Ltd v. Griffiths* (Ch.D.); *Shiner v. Lindblom* (Ch.D.); *Green v. Brace* (Ch.D.); *C.I.R. v. R. Woolf and Co (Rubber) Ltd*; *C.I.R. v. Rommor (Rubber) Co Ltd* (Ch.D.).

The annual subscription to the *Annotated Tax Cases* is 30s post free; the publishers are Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.

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# Self-service

by PHILIP LAWTON

*We are indebted to the Editor of 'The Solicitors' Journal' for permission to reproduce from his issue of February 24th the following succinct appraisal of the conception of service companies in association with professional partnerships.*

A PARTNERSHIP firm, like a sole trader, has no opportunity for making reserves free of surtax. All its net income, computed in accordance with the Income Tax Act, 1952, is chargeable to surtax in the hands of the partners, if they are sufficiently prosperous, and no allowance can be made for future contingencies or for levelling out the fluctuations of annual income that bear so hardly on the surtax payer. In the case of a trade when this position becomes intolerable a company can be formed and, provided that a wary eye is kept on Section 245 of the Income Tax Act, 1952, and the Special Commissioners are given no excuse for making a surtax direction, reserves can be accumulated without liability to surtax. But where the business is a professional one that cannot be carried on by a company, the ordinary loophole is not available, and it is from this situation that the idea of the service company was born.

The general idea is this. Although the profession, as in the case of solicitors, may be one that cannot be exercised by a company, the firm is bound to be engaged in subsidiary activities that are not part of the profession. Premises have to be provided, and staff and office equipment, and there is no reason why this should not be done under contract by a company. If the partners decide to form a company with the object of providing services of this sort, they can arrange with the company to pay it a fee, which may be calculated as a proportion of the firm's profits, for looking after all their material needs, leaving themselves free for purely professional duties and incidentally salting away a portion of the profits into the safe hands of the company.

So far so good, but it would be a mistake to imagine that all surtax problems can immediately be solved by this simple scheme. In common with most tax-saving schemes, its operation must be kept within reasonable limits if it is to be successful, and there are at least three points to watch.

## Services Limited

In the first place the firm will not be allowed to pay away the whole, or anything like the whole, of its profits to the service company, and this is

the principal limitation on the scope of the operation. The reason is that Section 137 of the Income Tax Act specifically prohibits deduction from profits of any amounts not wholly and exclusively laid out or expended for the purposes of the business, and if the firm pays out more for service than can be justified, allowing a reasonable profit to the company, then the payment will be disallowed for tax in the firm's own accounts and the object of the exercise will be defeated. In practice the payment to be made is a matter for negotiation with the Inspector, and it is believed that a firm is often allowed to pass on to the company about 25 per cent of what would otherwise have been the firm's net profits before tax.

Secondly, the affairs of the company must not be conducted in such a way as to attract a surtax direction on its accumulated profits. The most satisfactory course would be to have a company to which Section 245 did not apply, because it was not under the control of five persons or less, but this is not easy to arrange when one remembers that for the purpose of defining a controlled company any number of partners count as one person. If the partners wished to be themselves the shareholders of the company in order to secure a fair apportionment of the profits, and at the same time to have a company which was not controlled, it would be necessary for them to dissolve the partnership and practise in future as individuals; even then there would have to be at least eleven shareholders none of whom were related to one another! In most cases it is better to abandon the idea of avoiding Section 245 altogether, and to limit the company's reserves to a reasonable figure which will not arouse the cupidity of the Special Commissioners. If the firm has short leasehold premises these can be transferred to the company, and a company with a wasting asset of this sort can justify the making of very considerable reserves against dilapidations and the cost of renewal.

Thirdly, it must be remembered that the profits of the company in excess of £2,000 per annum will be liable to some profits tax, while profits accumulated within the company bear income tax without any earned income relief. As in the case of all incorporations for tax saving, it is necessary

to make sure that surtax avoided will not be outweighed by profits tax and the loss of earned income relief.

### A Question of Co-operation

One thing which should be clear by now is that only the large and wealthy professional firm has anything much to gain by forming its own service company. It is understood that in a few cases this has been done by solicitors, and that it has become a comparatively common practice for stock-brokers. But if the private service company is impracticable for most of us, is there any reason why one company should not serve a number of firms? If the expense of forming and administering a company could be shared in this way it should be possible to adopt the scheme in cases of quite small saving, and one pictures the benefits that might flow, quite apart from tax saving, from a joint service company operated by all the solicitors in a particular district, or in conjunction with members of other professions such as chartered accountants.

Unfortunately there are grave difficulties in the way. The main object of the service company is the accumulation of profits within the company which can later be used for the benefit of the promoters in various ways. For example, accumu-

lated profits may with advantage be used to purchase new capital assets, to equalize income in lean years (if any), and in certain circumstances to provide pensions for retiring partners. If the partners in one firm, or trustees for their families, hold shares in the company in proportion to their partnership shares from time to time, it is not difficult to arrange that these benefits accrue to the partners equitably, and if eventually the company is wound up its assets will be returned as capital to the members in proportion to their holdings. But if the members are partners in different firms it seems impossible to devise any scheme by which the benefits could be secured to them in proportion to the contributions and needs of the different firms, unless indeed the company were run on a purely commercial basis, which is a matter outside the scope of this article.

The whole question of service companies would probably have been more prominent during the last few years if it had not been for the Finance Act, 1956, which allows tax relief for contributions to retirement annuities. This has to some extent lightened the burden of those who are, and must remain, self-employed but for the larger firm the idea of the service company still has its attractions, especially where the senior partners are not young enough to benefit from the 1956 Act.

## Films on the Profession

IN 1954, the American Institute of Certified Public Accountants kindly made available to *The Accountant* a copy of their then newly-produced film *Accounting: the Language of Business*. So far as we are aware, this was the first documentary film ever to be made depicting the work of accountants in public practice. Though produced primarily as a recruiting aid, the film was of considerable interest to the general public. In fact, the American Institute have recently revealed some quite amazing figures; it has, they say, 'been shown 21,845 times to audiences of students, service clubs and business groups totalling well over a million people'. It has also been 'telecast 501 times to an estimated audience of 39 million'.

The film has won two awards for excellence among educational films.

Although we can produce no figures comparable with these and cannot claim either B.B.C. or I.T.A. patronage, our copy of the film has been much in demand by students' societies, study groups, district societies, etc., throughout the

United Kingdom. On two occasions it has been borrowed by the Netherlands Institute for exhibition at various centres in Holland.

A British film of this nature has yet to appear, but we are fortunate in obtaining copies of a new film released by the American Institute and of one produced for the Canadian Institute of Chartered Accountants. The former, entitled *C.P.A.* presents the highlights of a day in the life of a certified public accountant and has been designed to bring out the characteristics necessary for a successful accountant in public practice.

The second new film, *The C.A. in Canada*, has been made by the Canadian Institute in association with the National Cash Register Co of Canada, though as one would expect, apart from an appropriate credit for this financial backing, there are no 'puffs'. It has been designed as a visual aid for recruitment purposes.

Both films are 16 mm. The American one runs for about half an hour and the Canadian for twenty minutes. They are available on loan, without charge, on application to the Editor.



# Accounts Codes

by BRIAN A. MAYNARD, M.A., F.C.A.

WITH accounts codes, as in so many areas of accounting theory, we start with the complication of confused terminology. Unfortunately, this is not unusual; I recently found myself in similar difficulty over continuous stock-taking. I had been trying to persuade someone to introduce it, only to be told that it was going on already. In fact, that was the basic problem—the stores staff were taking stock continuously.

The alternative descriptions most commonly used include 'plan of accounts', 'chart of accounts' and 'classification and code of accounts'. The first has the attraction of emphasizing that the document provides the basic structure of the accounting system. I have, however, chosen the last as it highlights the two stages—classification followed by coding—and has the convenient short title of 'accounts code'. It has also the incidental advantage of reflecting the similarity to the classification and code of stores, normally referred to as a stores code.

The main purpose of an accounts code should be to provide an analysis from which, subject to the usual reservations about cost, management at all levels can be supplied with the control information it requires. For obvious reasons, routine returns cannot be expected to provide all the information that management will require, since if management is alive there are bound to be demands for *ad hoc* analyses from time to time. Accounts codes should, however, provide the means of meeting any foreseeable occasional demands of this nature in addition to covering routine requirements.

This emphasis on the provision of information for management is deliberate, since members of our Institute will almost instinctively ensure that the much less exacting external requirements of the Companies Act and the Inland Revenue are met, however badly management may fare. The demands of other third parties, such as the Board of Trade's statistical requirements, must, of course, also be taken into account.

In any organization above a certain size a written accounts classification is essential to ensure that all who classify accounting information, whether they are clerical staff, engineers, foremen or salesmen, classify adequately and consistently. Coding inevitably follows because some form of shorthand becomes necessary to save writing full accounting descriptions on large numbers of documents such as stores requisitions, invoices and workmen's time sheets or job tickets. Coding also becomes necessary when data processing procedures are mechanized.

The fact that accounts codes are often only introduced when they become unavoidable, either as a result of increases in the volume of work or of mechanization, may explain why they often do no more than formalize existing practices with all their shortcomings. Such an unambitious approach, which is sometimes followed by accountants who do not appreciate how much there is to go for, can only result in the loss of a profitable opportunity—a serious matter, since once a new code has been installed it cannot be replaced without waste of time and money and loss of face.



Mr Brian A. Maynard

## Nature of an Accounts Code

An accounting system cannot be more efficient than the code upon which it is based. It may therefore be helpful at this stage to summarize the requirements of an accounts code:

- (1) It should cover the full range of detailed information required and provide a convenient means of summarizing this for each level of management—both organizationally and by account headings;
- (2) It should provide precise, but as far as possible non-technical, definitions of all organizational and account headings;
- (3) It should be planned so that there can be one logical place, and one place only, for each item;
- (4) The accounts should be listed and numbered so that the nominal ledger can be set up in a convenient order for rapid production of short-term statements;
- (5) The code numbers should be of a standard length, to ensure that figures are not omitted;
- (6) The method of coding should cater for all reasonable expansion without risk of confusion or need to change existing numbers;



- (7) The code numbers should be as short as is possible without materially prejudicing the above requirements, both to minimize data processing costs and to reduce the risk of errors;
- (8) The code numbers should be designed so that each digit is, as far as practicable, significant by virtue of its position; this makes memorization of the main characteristics easier, thus reducing the risk of mis-coding and increasing the acceptability of the code generally;
- (9) It should, wherever practicable, be integrated with subsidiary codes.

A convenient way of illustrating how these requirements would be met in practice, is to consider a medium-sized industrial undertaking operating a form of departmental accounting which incorporates budgetary control. The accounts code for such a company might be made up of the following parts:

- (1) An organization code. This would normally take the form of a coded list of budget and cost centres. It should define each budget centre and every cost centre within the budget centre for which separate cost control or costing rates are required. It may also give the name of the foreman, supervisor, or other executive responsible;
- (2) A coded list of authorized account headings under which the various items of expenditure, revenue, assets and liabilities are to be analysed. A definition of each item should be given together with a brief description of how information is obtained for each group of accounts;
- (3) Where appropriate, supplementary schedules showing which of the authorized account headings are used for each budget and cost centre;
- (4) Covering instructions for the use of the code with examples.

Such a code is, of course, an integral part of any manual of accounting instructions although, as a matter of convenience, it is usually issued in a separate cover.

I now propose to deal with each of these four sections of the accounts code in turn.

### Organization Code

This part of the code is frequently described by the longer but more exact title 'Schedule of budget and cost centres'. This is more descriptive since, as I have said, it should in fact list and define clearly each budget and cost centre so that costs can be reported according to responsibility.

A budget centre may be defined as a group of related activities for whose performance and costs one man is held responsible and which forms a reasonable unit for the production of accounting returns. This will frequently coincide with a department but it may occasionally be necessary to break a department into two or more budget centres if its activities are too diversified or numerous to be accurately reflected on one accounting statement. For example, a large finishing department of a metal rolling mill which is supervised by one man may include separate sections for heat treatment, plate welding and annealing whose activities and costs are

so different that it is not practicable to account for them together.

Each budget centre must, where appropriate, be further analysed into cost centres. These have been defined as either single or groups of operations, activities, men or items of equipment which are accounted for separately to facilitate control and the accurate allocation of costs to products and services.

Care in the selection of cost centres is essential if the costs of the various activities and products are to be ascertained accurately and in sufficient detail for control purposes. It is therefore necessary to consider:

- (1) The value and running costs of the items of equipment installed there;
- (2) The rates and methods of calculation of wages and bonus of the men employed and the appropriate units of output.

In addition, the detailed activities, gangs of men, numbers of foremen and chargehands and their responsibilities and the method of shop loading must be taken into account. This is necessary to ensure that the detailed information required for control can be analysed by responsibility and will clearly indicate the areas in which action or investigation is required. Finally, it is necessary to ascertain whether and how the input and output of each cost centre is to be measured and to ensure that this can be done accurately and at suitable intervals for the preparation of realistic information for management.

It can be seen that the preparation of an accounts code is no exercise for the ivory tower but should be related at every step to the practical requirements of management. A clear conception of the organization, activities, manufacturing and commercial problems of the enterprise and a study of the form and content of the returns needed to meet the requirements of management for control information is therefore vital.

The first step is to obtain, or better still prepare, an organization chart, as a means of getting a clear overall picture of the organization. Where, as often happens, the positions on the chart do not adequately indicate the duties attached to them, the chart should be supplemented by lists of the responsibilities of the more important executives.

The next step is to develop the organization code by making a detailed investigation of all the company's activities. These should be discussed with each level of management to ensure that:

- (1) Department managers and their immediate superiors agree with the definition of each budget centre and the allocation of responsibilities;
- (2) There is no confusion in the mind of management or the accountant as to where one budget centre ends and another begins. This can sometimes be achieved by including plant numbers to indicate the extent of a budget or cost centre by describing the first and last processes included in the budget centre;
- (3) Every activity of the company has been covered and the one person responsible for each has been named.



Almost invariably this investigation will reveal that the original organization chart requires amendment. These amendments or improvements are usually an important by-product of the planning stage. For the process of defining the functions of, and the responsibility for, the various budget and cost centres inevitably focuses management's attention on any organization problems and precipitates their solution.

An obvious advantage of keeping the organization code and the code of accounts headings separate is, of course, flexibility. For example, amendments to the organization structure (which are inevitable from time to time) can quite simply be reflected in the organization side of the code without disturbing other sections.

### **Code of Account Headings**

This section of the code lists and defines the contents of the authorized account headings under the four main groups: expenditure, revenue, assets and liabilities. This is more familiar ground and I will deal only briefly with some of the factors which must be taken into account when classifying items within each group.

The main consideration must be the needs of each level of management for information about the activities for which it is responsible, and the men, machines, materials and services it uses. The classification must therefore provide for both detailed information for the lower levels of management and summaries and less detailed figures for higher levels and the board. This section of the code usually starts with a summary showing the sub-groups into which each of the four main groups are to be divided and supporting schedules will indicate the breakdown of each sub-group.

Taking trading expenditure first, one must bear in mind that this is normally analysed directly to budget or cost centres and that one of the main purposes of analysis is to assist the persons responsible to control the costs of their budget centres. It is therefore necessary to ascertain the main elements of cost of each activity, and then to ensure that account headings are available to provide the supervisor with adequate information about each significant item of expenditure for which he is responsible. Thus, in the productive departments of an engineering company it will normally be necessary to provide for an analysis of payments to operatives under separate headings for time spent:

- (1) On good production;
- (2) Rectification and extra allowances;
- (3) On indirect work – cleaning machines, acting temporarily as supervisors or tidying up the department;
- (4) Waiting – for instructions, materials, tools or machine setting;
- (5) Outside their department – training or on holiday.

Similar analyses would be provided for each sub-group in this main group and the same detailed consideration would be required before setting up the account headings.

It is vital at this stage to discuss the proposed account headings with each department manager to ensure that he understands the account headings, that the definitions of the contents of each account are sufficiently clear to avoid confusion in either coding or interpreting the information, and that he is satisfied that they will give him the information he requires.

Turning to revenue, it may be necessary to analyse sales by:

- (1) Types of product (for example, sizes, qualities or processes and jobs involved) – to ascertain the profitability of products and contracts;
- (2) Salesmen – in order to assess performance and calculate commission;
- (3) Territories – to assess results in the light of the costs involved;
- (4) Markets, customers or end uses in order to assess the extent of market penetration.

To provide such a full analysis it may be necessary to use a subsidiary code. On the other hand, it is sometimes possible to use a part of the organization code to provide the analysis by markets, territories and salesmen, and use the code of account headings to provide a summary by appropriate groups of products or individual items. It is a matter of judgement how much of the information can be detailed in the accounts code and how much should be provided by a subsidiary code, in order to avoid using an inconveniently large number of digits in the accounts code. In all cases, some degree of analysis of sales and cost of sales must be retained in the accounts code in order to provide an analysis of profit by appropriate groups of products or individual items.

The classification of assets and liabilities is again mainly dictated by management's needs for control information. Here again there are problems of integration with subsidiary codes, such as:

- (1) Codes for the analysis of debtors;
- (2) Product codes for the analysis of finished stocks;
- (3) Raw material or part codes for the analysis of material stocks;
- (4) Product group, process, job or contract codes for work in progress;
- (5) Fixed asset codes.

The asset account headings should be grouped to facilitate preparation of a concise summary of net assets, of the source and application of funds statement, together with appropriate detailed supporting schedules. If this appears to be stating the obvious, it may be as well to remember that, to take one item, many companies still do not even have adequate records of the book values of plant in budget or cost centres.

In practice it is often best to cater for the provision of greater detail than may ultimately prove necessary.

For there are usually various items whose value to management can only be fairly assessed in the light of experience gained from the first few sets of periodical accounts. Apart from this, it may be clear that, once management has become accustomed to a better information service from its accountant, it will demand more information than it initially thinks necessary. For example, management may initially believe that it only needs information on lost time in total, although it may be certain to an experienced eye that it will soon be asking for a detailed analysis by cause. Similarly, it may be evident that management will ultimately need detailed analysis of extra allowances, indirect materials or transport costs, although, for the time being, it may not appreciate the value of this information.

Perhaps this aspect should be stressed. In preparing stores codes, for example, one is classifying and coding items for which management should be able to provide clear definitions and whose value and uses it understands. By contrast, an accounts code must often be prepared for managements that have been starved of proper information, with the result that their quality must initially depend largely upon the experience of the accountant concerned. Here our skill and imagination have a vital creative role to play for we must classify and code requirements about which management has not had the opportunity of developing really clear ideas.

It will now be evident that the details of an accounts code should be tailor-made to meet the needs of the organization. Having established this, it is only proper to stress that this bespoke element is compatible with a much higher degree of standardization on broad lines within industries than is at present normally found in this country. Individual companies and the demands of management for information may differ. For example, groups with foreign subsidiaries may have to meet exceptional demands for information by third parties. But in most industries all companies are involved in similar basic activities and there is much to be said for the degree of standardization which this suggests. In Germany, and to a lesser extent in France and the U.S.A., these possibilities are recognized and standard charts of accounts are available for many industries. These are revised to keep them abreast with any new developments in accounting practice.

### ***Schedule of Account Headings used in Each Budget Centre***

It is useful to prepare a schedule of the account headings used in each budget centre to:

- (1) Set out concisely the account headings to be used in each budget centre;
- (2) Ensure that all the account headings used for each budget centre have been included in the list of authorized account headings before code numbers are allocated.

The budget centres can conveniently be listed across the top of the page, the account headings down the left-hand side. The accounts which are allocated to a

particular budget centre can then be indicated by entering a symbol against the appropriate account headings – for example, 'B' against those accounts which are analysed only to the budget centre and 'C' for any accounts which are analysed to cost centres. It is sometimes useful to distribute this schedule as an appendix to the accounts code.

### ***Instructions in the Use of the Code***

Once these three sections of the code have been completed, it is essential to familiarize all who will have to use it with its purpose and method of operation. The code should therefore be prefaced with clear written instructions which should:

- (1) Explain its purpose and the nature of each section;
- (2) Indicate the documents which will require coding;
- (3) Outline the method of marking the code on documents;
- (4) Provide examples of coding.

These written instructions should be supplemented by oral explanations, preferably given by senior accounting staff who have been directly concerned with the development of the code. Where possible, they should take people individually rather than in groups. The ground will, of course, have been covered to some extent when agreeing the definitions of budget centres and account headings with management.

The written instructions should pin-point the official responsibility for maintaining and developing the code and specify to whom any queries on its operation should be addressed. While these should stipulate that no unofficial alterations to the code may be made, it is equally important to encourage the submission of suggestions for improvements.

Responsibility for the administration of the accounts code will normally fall to the controller or chief accountant who will need to maintain a master copy, a distribution list and a file of the authorized amendments.

The responsibility for coding documents should, as far as practicable, be placed at the point of origination where all the relevant facts are known. Coding will normally be checked by the foreman or department manager responsible for the expenditure. His interest in correct coding is likely to develop rapidly as he becomes used to seeing the results for which he is responsible reported in routine returns.

In practice, it is often advisable to provide each point at which original coding is carried out with a list of the documents which it will code, and a list extracted from the code of those headings to which it is authorized to code the documents.

### ***Numbering***

Although a satisfactory classification must be established before numbering can start, it is advisable throughout the development of an accounts code to have a general idea of the proposed method of num-

bering. This clears one's ideas on the subject, leads to a more systematic approach to the classification process and helps to make sure that the methods and economics of processing the data are taken into account at an early stage.

As a general rule I favour purely numerical codes for accounting purposes. Letters present difficulties with certain forms of mechanization, and create complications in widespread organizations that also operate in countries which use different alphabets from our own. Admittedly, alpha-numerical systems may sometimes have mnemonic advantages and permit a shorter code since one letter can do the work of two digits where the number of items to be coded does not exceed twenty-six (or twenty-one if the letters I, J, O, Q and Z are omitted).

There is a considerable variety of numerical coding practices, many of which represent inexcusably short-sighted thinking. It may be helpful at this stage to review briefly, in the light of the requirements already mentioned, some of the typical weaknesses which occur.

First, the code should be of uniform length, otherwise no one will know whether a digit has been missed. The Dewey type of decimal code, for example, is therefore unsuitable because further analysis in any direction is made by adding an extra digit.

Secondly, an accounts code should be adaptable or expandable to meet the changing circumstances that are inevitable in any dynamic organization. It should, for example, have sufficient spare capacity to cover the development of new products or a degree of diversification. Otherwise, it will have to be revised which, in turn, will involve revising the accounting records, retraining staff and general unpopularity wherever documents are coded. Serial or sequence numbering is the perfect example of a system that cannot be expanded logically. Under this system, new items are added at the end and given the next free number, consequently any discernible order is quickly lost. This may seem too obvious to mention but only a year ago I heard of a chief accountant of a well-known company who was about to fall proudly into this very trap by introducing a new serially-numbered code which a small team of qualified men had spent a long time developing.

Thirdly, the numbers of the code should themselves give as much information as possible. Digits should, as far as practicable, be significant by virtue of their position. This advantage is often missed through using block codes, in which a block of numbers is allocated to a particular accounts group without further breakdown and with no attempt to achieve digital significance.

The best answer is normally a compromise between the block and the decimal code. This is often referred to as a group code though here, again, we lack any generally accepted definitions. In a decimal code the position of each figure is significant. The first digit on the left represents the major classification and

each subsequent digit is a sub-classification of its immediate predecessor. But if this principle were applied without modification, each major classification could only be broken down into nine sub-classes and each of these could in its turn only be broken down into a further nine. In a three-digit code, for example, the account numbered 520 could only be analysed by accounts numbered 521 to 529 and a finer analysis could be achieved only by adding a fourth digit which would immediately lead to trouble over length. Too much elegance results in unjustifiable length. The longer a code number, the greater the chance of mistakes in coding documents and the higher the cost of processing data. It is therefore often necessary to modify what would logically be the neatest structure – provided the efficiency of the code is not affected – in order to keep it short. In practice, the above difficulty would therefore probably be overcome by making the numbers 530–539 as well as 521–529 sub-analyses of the Account 520. Such an expedient (which is but one of many) breaks the strict principles of decimal coding and produces the hybrid, which I have referred to as group coding.

It may now be appropriate to run quickly through an over-simplified example of the coding for a medium-sized company operating budgetary control with a three-digit organization code and a three-digit code of account headings.

In the organization code the first digit is used to indicate the functions or overall budget centres as follows:

- 1–3 Production departments;
- 4 Services departments;
- 5 Technical departments;
- 6 Research and testing;
- 7 Administrative departments;
- 8 Sales departments.

The second digit is used to indicate the individual departments or budget centres within each function. Thus for the production function the second digit might be divided on the following lines:

- 1 Foundries;
- 2 Machine shop;
- 3 Assembly shop.

The third digit is used to indicate the cost centres within a budget centre. For example, the machine shop might contain the following cost centres:

- 1 Milling;
- 2 Drilling;
- 3 Turning;
- 4 Grinding.

Thus, three layers of classification corresponding to layers of responsibility have been reflected in the structure of the code and combinations of the three digits would therefore have the following significance:

- 100 All Production departments;
- 120 The Machine shop;
- 121 The milling cost centre.

In the classification of account headings trading costs will normally need many more numbers than any other main group. The first digit sequence might therefore be:

- o Direct and indirect wages and additional payments;
- 1 Salaries;
- 2 Materials – direct, indirect, excess, scrap;
- 3 } Overheads, variances, transfers and adjust-
- 4 } ments;
- 5 Cost of sales;
- 6 Sales;
- 7 Non-trading revenue, expenditure and appropriation of profits;
- 8 Fixed and current assets;
- 9 Liabilities, provisions, capital and reserves.

Within the direct and indirect wages group, the second digits 0-4 might be allotted as follows:

- o Direct labour on production;
- 1 Extra time allowances;
- 2 Rectification;
- 3 Shop work;
- 4 Lost time.

The third digit would represent a further breakdown of each of these sub-divisions and this digit within lost time might be used as follows:

- 1 Work;
- 2 Materials;
- 3 Tools;
- 4 Drawings;
- 5 Inspection;
- 6 Crane services;
- 7 Internal transport.

A combination of the two classifications gives 121:041 as the wages paid to direct labour for time lost waiting for work in the milling cost centre.

### Cross Linkage

The fact that figures are made significant by virtue of their position and number opens up possibilities of cross linkage between classes of inter-connected items within the accounts code. A routine opportunity for cross linkage occurs between the various control accounts for fixed assets and the corresponding charges for, and provisions for, depreciation.

Assuming a three-digit code, the last digits specifying the class of asset should, for example, be used for the corresponding charge and provision. Similar possibilities arise between sales and cost of sales. While obvious opportunities of this sort should not be missed, it will be appreciated that cross linkage, though convenient, does not normally offer anything like such important advantages in accounts coding as it does in stores coding, where failure to exploit its possibilities can materially reduce efficiency.

### Integration with Subsidiary Codes

As I said earlier, an accounts code should as far as practicable be integrated with the other coding systems in operation, such as those for stores, jobs, products, sales, fixed assets and employee identification. The main benefits to be obtained from this integration are that:

- (1) Accounting totals can conveniently be obtained from, or agreed with, detailed records analysed on the basis of other codes;
- (2) Duplication of analysis work on unnecessarily different bases and the confusion which arises therefrom are avoided;
- (3) It is easier to investigate the detail supporting the information given in the accounting returns if the detailed analyses provided by the subsidiary codes are prepared on an integrated basis;
- (4) It becomes correspondingly easier for users to memorize the relevant parts of each code.

In practice, integration is achieved by using one or more digits of the accounts code as the first digits of the subsidiary code. For example, the last two digits of the finished stock control accounts might be used as the first two of the product identification code.

It is important not to get this feature out of perspective. The integration of codes is vital to an ambitious scheme of integrated data processing using a computer – and here there is still much to be learned. But where there is no overriding factor such as a computer, there will often be no justification for amending independent codes which are already established and cannot be changed without considerable expense and inconvenience. In such cases it is usually pointless to distort the logical pattern of the accounts code or to employ extra digits in order to achieve what may be relatively minor benefits arising from integration.

### Conclusion

I hope that I have made it clear that a sound, unequivocally expressed classification coupled with efficient coding is a fundamental requirement of a sound accounting system, without which proper accounting and other information cannot be provided to management. Other advantages of a good accounts code are that it:

- (1) Provides management and auditors with an authoritative guide to the accounting principles adopted;
- (2) Defines clearly, for management, the costs for which each manager is responsible;
- (3) Explains the contents of each heading on the accounting returns submitted to management;
- (4) Enables the nature of accounting transactions to be clearly and consistently classified by junior or non-accounting staff, such as maintenance or production employees, thus diminishing reliance on key personnel;
- (5) Eliminates the need to write narrative descriptions or allocations on documents;
- (6) Provides a basis for instructing new staff;

- (7) Constitutes a basis for integrating the accounts code with other internal codes;
- (8) Facilitates consolidation of accounts within a group of companies.

I should have liked to illustrate some of the additional problems that arise in large undertakings which have many organizational levels and to stray into the areas of cost allocations and the mechanics of book-keeping. However, I shall have to be content to cover the broader field with a proposal that could provide far more help than any lecture.

It is evident, firstly, that there is much scope for improvement in the general standard of accounts codes; secondly, that there is a demand among our

members for some means of exchanging experience; and thirdly, that many members work with organizations which operate accounts codes of a reasonably high standard and would be willing to provide copies to our Institute. My suggestion is that a section should be established in our Institute library to which members should be invited to give copies of interesting accounts codes. If there is sufficient support for this idea, arrangements can be made to submit it formally to our Institute. It would have the advantage of making available, at virtually no cost, a pool of experience that could be of the greatest value in raising the standard of service provided by our profession to management and indeed to the country as a whole.

## Weekly Notes

### I.C.W.A. President's Lunch at Birmingham

THE President of The Institute of Cost and Works Accountants, Mr W. S. Risk, B.COM., C.A., F.C.W.A., gave a luncheon party yesterday (Friday) at *The Queen's Hotel*, Birmingham. His guests were:

Mr J. Edward Belliss, M.I.MECH.E., managing director, Belliss & Morcom Ltd; Mr A. Cadby, F.C.W.A., President, Birmingham and District Branch; Mr S. J. Careless, F.C.A., F.C.W.A., a member of Council; Mr H. Eccles-Williams, B.A., managing director, Rabone, Petersen & Co Ltd; Mr G. W. Harriman, C.B.E., deputy chairman and managing director, The Austin Motor Co Ltd; Mr W. E. Harrison, F.C.W.A., a Past President; Mr T. E. Hurst, chairman, Bell & Nicolson Ltd; Mr W. H. Newton, M.A., F.C.A., chairman, Serck Ltd; Mr G. C. Stone, F.C.W.A., a Past President; Sir Basil Tangye, Bt., M.I.MECH.E., chairman and managing director, Tangyes Ltd; Mr J. H. Whicheloe, F.C.W.A., a member of Council; Mr J. P. Wilson, F.C.W.A., F.C.I.S., a member of Council; Mr Derek du Pré, Secretary of the Institute.

### Hire-purchase and the Dud Car

CAR hire-purchase agreements with their lengthy provisions in small print so unfriendly to the hirer have again been the subject of discussion in the Courts. Hire-purchase finance companies almost invariably stipulate, *inter alia*, that they give no warranty whatsoever as to the age, state or quality of the car they hire out, or as to its fitness for any purpose, although obviously the whole basis of the contract is that the hirer shall get a roadworthy car for his money. It would be as reasonable for the hirer to stipulate that he gives no undertaking to

keep up the payments. In *Yeoman Credit Ltd v. Apps* the hirer entered into the hire-purchase agreement in consideration, *inter alia*, of the dealer's undertaking to put the car into repair. He failed to do so; the steering, brakes and clutch were alleged to be in a terrible condition and it had taken an hour and a half to drive three or four miles. Mr Apps, after paying three instalments refused to pay any more and the finance company sued him in the County Court. This Court dismissed their claim on the ground that there was an implied term in the contract to produce a roadworthy car, and the express exclusion did not exclude such a term. This decision was upheld in the Court of Appeal (*The Times*, March 17th.) The County Court also ordered the company to pay back to Mr Apps the whole of the £170 he had paid, on the ground of total failure of consideration. However, the Court of Appeal reduced the £170 to £85. The County Court had assessed Mr Apps's damages at £100, and the Court of Appeal awarded this £100 to him, less the instalment which had fallen due before he repudiated the contract.

### New P.A.Y.E. Guides

THE introduction next month of a system of collecting graduated national insurance contributions from employees along with income tax under the 'pay-as-you-earn system' means fairly extensive changes in the machinery of this system. The Inland Revenue, in anticipation, have published a new edition of their *Employer's Guide to 'Pay as you earn'*. At the same time they have published a new edition of the farmer's guide. Those people already familiar with the old guides will be helped by the vertical lines which are placed against new or revised matter in the new publications. In addition, each guide has a table on the front page which shows in which paragraphs the new or revised matter is to be found, and indicates the general nature of the matter dealt with in such paragraph. The opportunity has been taken to amend the paragraphs dealing with benefits in

kind; paragraph 54 of the general guide deals in detail with meal vouchers. From this paragraph it is clear that the Inland Revenue still claims tax on them, even where they are not transferable, unless they comply with other conditions.

The Ministry of Pensions and National Insurance has also published an *Employer's Guide to Graduated National Insurance Contributions*, obtainable at any pensions and national insurance office.

### Payroll Tax Suggested

CONSIDERABLE concern has been expressed in recent months over the slow rate of economic expansion in the United Kingdom, more especially when compared with the markedly better performance of the Common Market economies. A new paper from Political and Economic Planning offers suggestions as to how the British economy might be stimulated<sup>1</sup>, basing its arguments on the thesis propounded in the larger and earlier study of *Growth in the British Economy*<sup>2</sup>. Its theme is that labour in Britain is too cheap; in consequence, employers are uneconomic in their use of this scarce resource and there is no strong incentive to install labour saving capital equipment.

If labour were to cost more, then, argue the authors, it would be more efficiently allocated and to this end they advocate the introduction of a payroll tax. The yield from such a tax at 3 per cent on the total wage and salary bill is estimated at £377 million, or some £46 million more than the combined yield of profits tax and the local rate on industrial hereditaments. To avoid increasing production costs, the paper suggests that these two taxes could be replaced by the payroll tax. Actually this is far too simple an analysis. There would be substantial relative movements of prices following the redistribution of the incidence of taxation borne by industry between different industries and firms within each industry, in favour of those with a high ratio capital to labour. It is, for example, hardly surprising that the steel industry should favour such a change.

Supplementing this policy, the P.E.P. report suggests that a larger share of the cost of the welfare services should be borne by industry rather than by the Exchequer. It notes that in Europe, wage rates are lower than in Britain, but when the much heavier welfare costs are added in, the actual difference in labour costs between the various countries is not so marked. The report notes that European tax systems offer more generous relief in respect of capital expenditure than does the British and urges changes in this respect.

Two further proposals in the paper would undoubtedly have the effect of raising wages. They are that the nationalized industries should adopt more

rational pricing policies towards the private consumer; and the replacement of the present system of agricultural subsidies by tariff protection in line with European practice.

How far, given the attitude of organized labour to the problem of redundancy and automation, these proposals are realistic is a matter of opinion. At best they are only palliatives, for they only touch the fringes of Britain's basic economy problem. In the absence of alternative proposals, however, the payroll tax may find favour with the Treasury.

### Growthmanship

THE views expressed in the P.E.P. pamphlet referred to above find little support in the latest Hobart Paper, published under the auspices of the Institute of Economic Affairs<sup>1</sup>. Its author, Mr Colin Clark, contests the widely accepted view that economic growth is all-important and must be maintained even at the cost of gently rising prices. In his opinion, the primary concern of the United Kingdom must be the maintenance of a stable currency. Nor does he ascribe great virtue to investment as the means of increasing national productivity: he asserts that a great deal of British domestic investment has been extravagant, and he disputes the widely held view that continual increases in investment produce corresponding expansion of output. He is even more dubious about the merits of some investment in the under-developed territories which, he asserts, is designed to boost the prestige of authoritarian politicians rather than the living standards of the people.

Mr Clark's main thesis is that rising productivity is the result of a compound of factors and influences of which investment is only one. A paramount need is to create, within an economy, the right environment for expansion, the will to work, to save and invest. In this context he contends that the burden of taxation in Britain is excessive. On one issue he is in agreement with the P.E.P. report. He agrees that the nationalized coal, electricity and gas industries should have charged more for their products in order 'to compel both industrialists and consumers to economize as they do in other countries'. He concludes that 'there must be an end to the indiscriminate pouring of capital' into the nationalized industries, while the Governments of under-developed countries 'should be encouraged to establish the legal and institutional arrangements conducive to growth'.

Perhaps the most interesting of Mr Clark's recommendations for the stimulation of the British economy is that free trade should be encouraged to provide more vigorous competition at home, restrictive practices such as resale price maintenance should be proscribed by law, while a 'more courageous effort is required to deny trade unions the power to enforce closed shops and restrict the output of working people'. There is a good deal in this paper with which

<sup>1</sup> *The Promotion of Economic Growth*. P.E.P. Report. 3s net. 16 Queen Anne's Gate, London, SW1.

<sup>2</sup> *The Accountant*, November 5th, 1960, page 577.

<sup>1</sup> *Growthmanship*, by Colin Clark. Hobart Paper No. 10. Barrie & Rockliff, London. Price 5s.

many readers will agree, yet perhaps the proposals contained in the P.E.P. broadsheet provide the best evidence that the country is not prepared to follow the more austere path indicated by Mr Clark.

### Smaller Trade Gap

IN February the United Kingdom trade deficit on visible account was £65 million compared with £68 million in January. Both imports and exports were down on the January figures but the fall in imports was the more marked of the two. It was indeed the lowest level for seven months and it would therefore appear that the de-stocking process by United Kingdom industry is at last beginning to appear in the external trade accounts.

Although the high level of export shipments in January was not maintained, the February export figures are viewed optimistically. The worst month recently was October and since then there has been a gradual, if unspectacular, improvement. In the last three months exports have been  $5\frac{1}{2}$  per cent above their level in the previous quarter while imports have been down by 1 per cent.

There are now strong indications that the depression in the United States has come to an end. This should help the export of United Kingdom products to that market and a strong recovery in the United States could take the somewhat depressed Canadian economy with it. There might well be a useful improvement in the United Kingdom exports to North America this summer. Whether they will recover to previous peak levels is problematical because the American market for the small car (which has provided a large export market in the last few years for all Western European countries with motor car industries) may now have been permanently lost in part to the United States manufacturers of small cars.

### Healthy Order Books in Engineering

THE flow of new orders to the engineering industries was maintained in the closing months of 1960 at the same steady underlying rate that has obtained since the end of last April. At the year end, orders on hand were some 16 per cent above the level of a year earlier, and unchanged from that of the end of October 1960. Over the field covered by these orders on hand (the engineering industries producing capital equipment, in the main, but excluding aircraft), deliveries during 1960 were 7 per cent higher than in 1959, and this rate of increase applied to the last quarter as well as to the year as a whole. Deliveries to export markets rose faster than those to the home market.

Production in the wider group of engineering and allied industries has been affected by the slump in the demand for cars and other durable consumer goods. Complete figures for 1960 are not yet available, but the index of production for the first eleven months of 1960 was 127 compared with 120 for the whole of

1959, both figures being based on 1954 = 100. But the whole of the increase over 1959 had been secured in the early months of the year; such figures as are available suggest that production in the fourth quarter of 1960 was below that of the corresponding quarter of 1959.

### The Institute of Directors on Company Law Reform

LAST Wednesday saw the publication of the minutes of the evidence taken at the eleventh public sitting of the Company Law Committee.<sup>1</sup> Included as appendices are the memoranda submitted by the Institute of Directors, the Chartered Institute of Secretaries, and Mr E. S. Fay, Q.C. The memorandum of the Institute of Directors was the subject of comment in our issues of August 6th, and December 10th, 1960, and a leading article in our issue of October 8th commented on the memorandum of the Chartered Institute of Secretaries. Mr Fay's memorandum was written as a result of his experience as an inspector appointed by the Board of Trade to investigate the affairs of General London & Urban Properties Ltd in 1958; an investigation which was not completed until 1960.

Giving oral evidence for the Institute of Directors were Mr Alfred Read, a member of the Council and the chairman of the Institute's company law committee, Messrs P. L. Fleming, J. Godfrey, M.A., F.C.A., A. E. S. Menzies, and A. T. Purse, all members of the Institute's company law committee. On the topic of disclosure of directors' remuneration, a member of the Jenkins Committee asked the witnesses' views about remuneration paid to another company for, say, management services, when the directors held shares in that management company. Mr Menzies said that he personally thought that any dividends a director received were his own private affair; even if they were earned as a result of a management contract with a company of which he was a director. 'We assume', said Mr Menzies, 'that the director would be acting properly in being a shareholder in the management company', to which Mrs Naylor, another member of the Committee, said 'If we assumed that, we need not have a Companies Act at all'.

Mr W. H. Lawson, C.B.E., F.C.A., put a number of searching questions on the part of the Directors' memorandum dealing with accounts. It contained an example in which company A paid £200,000 for the share capital in company B, and thereupon took a dividend of £100,000 from company B. The memorandum said that in such a case it was 'desirable' for company A. to apply this £100,000 in writing down the value of the shares in company B. The witnesses agreed with Mr Lawson that this was not merely desirable but absolutely essential. Dealing again with directors' remuneration, Professor Gower observed that it was slightly anomalous that a company might

<sup>1</sup> H.M.S.O., 4s 6d net.



in general meeting solemnly resolve that the directors' fees should be £500 per annum, and then the directors themselves go away and vote themselves long-term agreements of £5,000 per annum each. Mr Menzies pointed out that a company could not employ executive directors if it could not tell them in advance what they were going to be paid.

The Chartered Institute of Secretaries witnesses were E. G. Hardman, a past President, Messrs W. F. Talbot, and G. N. Gabell, members of the Council and of the law and parliamentary com-

mittee, and Mr J. F. Phillips, Secretary of the Institute. Dealing with the Institute's point about the new class of 'special' or 'executive' directors, Lord Jenkins observed that 'It is rather a case of when everybody is somebody nobody is anybody. You might find yourself contracting with the commissionaire who is "director (doors)"'.

Mr E. S. Fay, Q.C., said that he would have been greatly helped in his investigation if he could have had the assistance of a practising chartered accountant as inspector acting jointly with him.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 69

INDUSTRIAL psychology is becoming a most peculiar and bewildering study; curiouser and curiouser, as Alice remarked.

Last week our chairman had an erring salesman, Albert, on the carpet, while our personnel director and I watched the proceedings in fascination. The man was clearly wrong. His son is playing centre-forward for a leading first division team this season; Albert tries to follow the matches and is always looking for time off to travel. In fairness, be it said, his manager has treated him generously, but ultimately he had to draw the line. It was as he was reading the riot act, as it were, that the chairman came on the scene – wanted to hear the story, and took over the task of administering the dressing down.

It was perhaps to be expected that Albert should be reported as out with influenza on the day of the recent big match; he could scarcely have reckoned on the newspaper photograph of the crowd the following day, showing him rosetted and rampant in the front seats. He paid dearly for his duplicity.

Our chairman belongs to the old feudal tradition. As the lord of the manor, he would protect to the utmost a retainer who sinned in his service, but in return he expects unswerving loyalty; he would forgive a murderer but not a traitor; Albert's deception was a blow to his sense of *esprit de corps*. He fairly bristled with suppressed anger as the culprit came in with hesitant step.

Mind you, Albert got every chance to explain and offer any possible defence, but short of professing insanity or loss of memory, he hadn't much hope. Finally the tempest broke about his bowed head. The chairman rated him angrily, called him unreliable and untrustworthy, referred to his father turning in his grave, wondering whether instant dismissal was really sufficient punishment, and finally, his anger abating, decided to give him one last chance. Albert

took it meekly, humbly, apologetically, and promised he'd never transgress again, though he was literally staggering as he departed.

Actually, I think they both rather enjoyed it in a perverse way. Albert had taken his due punishment and was cheerful enough the next day; the chairman looked like a well-gorged lion after his effort, and a couple of days afterwards was seen chatting amicably to Albert in the corridor – about soccer, of course. Thus was discipline maintained and honour satisfied. Albert, also, is one of the old tradition; the regrettable incident was buried for ever between them.

The person who was really upset was Prinny. He entered my room later to chronicle the list of the chairman's blunders. The chief, said Prinny angrily, had committed every possible mistake in the field of industrial psychology; he had lost his temper, he had raised his voice, he had dressed down an employee before an audience; he had humiliated his subordinate, wounded his pride, ruined his morale. And so on *ad infinitum*.

It was difficult to answer. I rather felt that the chief's behaviour was normal and the results seemed excellent. Clearly, I was not only ignorant but unenlightened, anti-social, anti-civic and reactionary. Prinny pretty well blamed me for everything but the massacre at Peterloo. If the union called out the men, he warned me solemnly, the chairman must shoulder the blame.

When he had gone, I decided to talk to Albert. We'd been old friends since I arranged a loan from the cashier for him (it's not fully paid-off yet) – a well-timed word might avert a strike. At that crucial moment, who should sidle in but the sinner himself, half shamefaced, half wheedling. 'Decent old bird, the boss', he confided. 'Let me down very lightly – thought I'd be sacked for certain.' He accepted a cigarette gratefully. I was more than a little taken aback, but managed to murmur 'His bark is worse than his bite; he's a good bloke, and you can tell 'em all I said so.' Albert nodded with judicial satisfaction.

I haven't quite worked out the moral of the episode; either Albert is just plain unenlightened also, or else everyone is out of step except Prinny. But then, everyone seems satisfied except Prinny, so what is the conclusion?



# Finance and Commerce

## The H.-P. Boom

THIS week's reprint of the accounts of Bowmaker Ltd gives a view of the aftermath of the hire-purchase boom that followed the removal in 1958 of all restrictions both in relation to the amount of deposit to be put down by hirers and the length of the hiring period. Group profits for the year to October 1960, after making provision for bad and doubtful debts, are stated at £1,676,614 compared with £2,303,851. A seven-year comparative statement shows the 1958 figure as £1,026,524 and the previous figures going backwards are £750,289, £609,227, £518,934 and £418,915.

Many references have appeared in this column, quoting company chairmen and accounts, to the effects of Government hire-purchase policy but it is not until one sees the upsurge in purchasing power that followed de-restriction, that the position is appreciated. Overall hire-purchase debt, says Sir Arthur Morse, the chairman of Bowmaker, expanded from £450 million in 1958 to nearly £1,000 million at its 1960 peak.

The contribution by Bowmaker to the hire-purchase boom is seen in the increase in hire-purchase debtors from £22,394,197 in 1958 to £51,100,891 in 1959 and to £69,227,155 in the present accounts.

## Questions

Bowmaker's results for the year, says Sir Arthur, were adversely affected by two main factors. The first was the two increases in Bank rate which added over £½ million to the cost of group borrowings then outstanding. The other was the provision for bad and doubtful debts which, he says, was higher than usual.

Sir Arthur was asked at the annual meeting to give an indication of the extent of these provisions. A shareholder pointed out that the cost of the increased Bank rate, for which the board was obviously not responsible, was stated, but not the size of the bad and doubtful debt provisions. Sir Arthur maintained that it was not in the interests of the company or its shareholders to disclose the figures.

The shareholder also wondered whether the board would adopt American practice and give quarterly reports. And Sir Arthur replied that he saw no advantages in quarterlies. Conditions in companies like Bowmaker, he said, changed from day to day. It took a great deal of time to audit, to check and to see it. He did not think it would be to the company's advantage to give quarterly reports.

## Frantic Competition

A LESS restrained view of the hire-purchase boom is given by Mr C. W. Cooper, chairman of The Wagon Finance Corporation Ltd, with the company's accounts for the year to December 31st, 1960. He refers to the 'frantic competition' for turnover by hire-purchase companies initiated during the period of freedom from Government control, and which, he says, 'eventually affected all of us'. It encouraged motor dealers to demand a speed of acceptance which made it impossible to inspect the goods financed or to inquire adequately into the status of the hirer.

He points out that most hire-purchase motor business is for second-hand cars: approximately five second-hand on hire-purchase for every new one. Although motor dealers continued to receive a percentage of hire-purchase charges, he continues, they were, in an increasing number of cases, no longer required to guarantee the business they introduced. Many hire-purchase companies were not only accepting, without guarantee, vehicles on low deposits and long hiring periods but granted the motor dealers loans which they would not have been able to obtain on a normal commercial basis.

Mr Cooper says these conditions just invited reckless trading and there have been some 'sad stories' of hire-purchase companies being 'taken for a ride' by unscrupulous dealers.

## Doubtful Debts

In Mr Cooper's view, the public were encouraged to enter into commitments which they could not afford, with the result that arrears and costs of collection have multiplied, particularly in those areas affected by reduced overtime and short-time working. Over the past few months, he says, thousands of vehicles have been returned or repossessed, to be sold at losses made heavier by the fall in second-hand prices.

Mr Cooper says losses to Wagon Finance through fraud have been negligible. But to retain the accounts of good dealers and to allow them to meet competition, calculated risks were taken by accepting a proportion of business with low deposits and long hiring periods and it was in respect of this type of business that the substantial provision (to which he had earlier referred) had been made.

Consolidated profit before tax for 1960 amounted to £437,589 against £602,758 in 1959. This was after charging £255,597 to cover actual and anticipated losses on returns and repossessions compared with £69,916 in 1959. It will thus be seen, Mr Cooper says, that the increase of £185,681 in the amount provided for losses, by itself accounts for more than half the fall in profits.

Mr Cooper suggests that one remedy would be to impose statutory limits on hire-purchase interest charges in order to protect the public and make it uneconomical for finance houses to indulge in speculative business prejudicial to the interests of depositors and shareholders.

## BOWMAKER LIMITED AND SUBSIDIARY COMPANIES

Consolidated Profit and Loss Account for the year ended 31st October, 1960

1959		1960	
£	£	£	£
2,303,851	1,524,712	1,676,614	981,015
PROFIT FOR THE YEAR BEFORE TAXATION (note 1)			
after providing for the following items			
1959	1960	1959	1960
£	£	£	£
11,034	11,828	11,034	11,828
Income from trade investments ..			
91,108	140,519	91,108	140,519
Depreciation and amortization ..			
13,750	13,750	13,750	13,750
Interest on loan stock of a subsidiary ..			
8,454	8,768	8,454	8,768
Auditors' remuneration ..			
39,517	56,014	39,517	56,014
Staff pension fund contributions ..			
33,787	32,250	33,787	32,250
Emoluments of directors of Bowmaker Limited (note 2) ..			
118,000	—	118,000	—
Add Special provision no longer required ..			
2,421,851	1,676,614	2,421,851	1,676,614
1,219,845	735,854	1,219,845	735,854
Deduct Taxation thereon (note 3) ..			
1,202,006	940,760	1,202,006	940,760
PROFIT FOR THE YEAR AFTER TAXATION ..			
Deduct Profit of the year—			
19,752	—	19,752	—
Attributable to outside shareholders in a subsidiary ..			
51,182	16,496	51,182	16,496
Retained by subsidiaries ..			
70,934	106,169	70,934	106,169
1,131,072	818,095	1,131,072	818,095
262,842	41,781	262,842	41,781
Add Profit of previous years distributed by subsidiaries			
1,393,914	859,876	1,393,914	859,876
PROFIT DEALT WITH IN THE ACCOUNTS OF BOWMAKER LIMITED			
Add Profit of Bowmaker Limited not appropriated at beginning of the year ..			
74,920	121,139	74,920	121,139
Overprovision for taxation in previous years ..			
55,878	—	55,878	—
130,798	121,139	130,798	121,139
PROFIT OF BOWMAKER LIMITED carried forward			
1,524,712	981,015	1,524,712	981,015
BEFORE APPROPRIATIONS			
PROFIT OF BOWMAKER LIMITED			
BEFORE APPROPRIATIONS			
Deduct Dividends, less income tax—			
On the 5 per cent. preference shares for the year to 30th November, 1960 ..			
15,312	15,312	15,312	15,312
On the 6 per cent. preference shares for the year to 30th November, 1960 ..			
9,188	9,188	9,188	9,188
Interim of 5 per cent. on the ordinary shares (paid 10th August, 1960) ..			
185,357	203,894	185,357	203,894
209,857	228,394	209,857	228,394
Recommended final of 13 per cent. on the ordinary shares ..			
543,716	530,123	543,716	530,123
753,573	758,517	753,573	758,517
650,000	100,000	650,000	100,000
1,403,573	858,517	1,403,573	858,517
Transfer to general reserve ..			
121,139	—	121,139	—
203,416	—	203,416	—
£324,555	£278,101	£324,555	£278,101
As shown in the consolidated balance sheet ..			
PROFIT NOT APPROPRIATED—			
Bowmaker Limited ..			
121,139	—	121,139	—
Subsidiaries (below) ..			
203,416	—	203,416	—
£324,555	£278,101	£324,555	£278,101
PROFIT OF SUBSIDIARIES NOT APPROPRIATED—			
At beginning of the year ..			
356,646	203,416	356,646	203,416
Add Profit of the year retained ..			
51,182	106,169	51,182	106,169
Overprovision for taxation in previous years ..			
18,930	—	18,930	—
Transfer from revenue reserve ..			
54,500	—	54,500	—
124,612	—	124,612	—
481,258	309,585	481,258	309,585
Deduct Profit of previous years distributed Underprovision for taxation in previous years ..			
262,842	41,781	262,842	41,781
Transfer to revenue reserve ..			
15,000	7,526	15,000	7,526
277,842	104,675	277,842	104,675
£203,416	£155,603	£203,416	£155,603

**BROWNAKER LIMITED AND SUBSIDIARY COMPANIES**

**Consolidated Balance Sheet 31st October, 1960**

[illegible]

**BOWMAKER LIMITED**  
Notes on the Accounts**1. Profit for the year before taxation—**

The resolution of the directors of Midland Counties Motor Finance Company Limited (referred to last year) to change the method of computing the provision for unearned charges to be carried forward in the accounts of that company has been made wholly effective during the year ended 31st October, 1960. This has resulted in an increase of £534,539 (1959—£137,323) in the group profit before taxation.

**2. Emoluments of directors of Bowmaker Limited for their services to Bowmaker Limited and its subsidiaries—**

	1960	1959
	£	£
Fees .. .. .	7,750	7,735
Other emoluments .. .. .	24,000	24,052
Pensions to past directors .. .. .	500	2,000
(Note—Expenses paid for previous years have been charged to income tax since 31st October, 1959 to the extent of £1,579).	£32,250	£33,787

**3. Taxation—**

The amount which has been deducted from the profit for the year to provide for taxation is made up of—

	£	£
United Kingdom—Income Tax ..	554,780	955,411
Profits Tax ..	160,467	227,959
Republic of Ireland—Income Tax ..	15,796	27,400
Corporation Profits tax .. ..	4,811	9,075
	£735,854	£1,219,845

**4. Share capital and share premium account—  
Bowmaker Limited—**

	Ordinary shares of 5s. each	Share premium account
At 31st October, 1959 (17,754,000 shares)	4,438,500	2,717,122
Amount capitalised by the issue of 8,877,000 shares, 23rd February, 1960 .. ..	2,219,250	2,219,250
	6,657,750	497,872
Deduct Expenses of capital increase and share issue .. .. .	—	25,480
At 31st October, 1960 (26,631,000 shares)	£6,657,750	472,392
<b>Bowmaker Limited and Subsidiaries—</b>		
Add Parent company's proportion of premium on shares issued by a subsidiary to outside shareholders (as at 31st October, 1959) .. .. .		3,125
At 31st October, 1960 .. .. .		£475,517

**5. Capital commitments and contingent liabilities—**

- (a) At 31st October, 1960 there were contracts for capital expenditure of approximately £420,000 by Bowmaker Limited and approximately £247,100 by subsidiaries.
- (b) At 31st October, 1960 Bowmaker Limited had a contingent liability of approximately £525,000 in respect of uncalled capital on their investment in Société Holding de Financement et de Crédit S.A. ('Eurocredit'). Of this amount £330,591 has been paid up since the date of the balance sheet.

## CITY NOTES

THE industrial equity markets continue to display almost defiant strength with support flowing steadily to the market despite peak prices. The underlying strength of the market lies in the weight of money available for investment and the shortage of shares.

The shortage of shares works on the market in two ways. It naturally forces up prices in the face of persistent demand but it also deters any large-scale release of shares, particularly by the institutions who see scant prospects of getting big lines of shares back again.

Rising prices make investors more determined to hold on. When, for any reason, there is a temporary sagging in quotations very little stock comes to the market. Buying merely dries up for the time being.

When, in 1959, the Consol and equity yields crossed and a reverse yield gap was opened—Consols yielding more than equities—some of the market die-hards looked sceptically at the development. But a reverse gap has now become firmly established. 'Reverse' is no longer the true adjective.

The London market has come into line with continental and American markets in that respect. The British investor is fully prepared to buy equities on a 3 to 4 per cent yield basis and, in the future, might well be prepared to accept equities on even a lower yield basis than that.

The tendency, in fact, is already established in a number of prime growth shares.

## RATES AND PRICES

Closing prices, Wednesday, March 22nd, 1961

Tax Reserve Certificates: interest rate (26.11.60) 3%

## Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

## Treasury Bills

Jan. 13	£4 6s 1½d%	Feb. 17	£4 7s 7½d%
Jan. 20	£4 3s 8½d%	Feb. 24	£4 7s 11½d%
Jan. 27	£4 3s 3½d%	Mar. 3	£4 8s 10½d%
Feb. 3	£4 3s 4½d%	Mar. 10	£4 9s 9½d%
Feb. 10	£4 6s 0½d%	Mar. 17	£4 9s 8½d%

## Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4½-4½%	2 months	4½-4½%
Fine Trade Bills		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

## Foreign Exchanges

New York	2·79½-7	Frankfurt	11·10½-7
Montreal	2·76½-1½	Milam	1742½-8
Amsterdam	10·05½-3	Oslo	19·98½-99½
Brussels	139·47½-8	Paris	13·71½-8
Copenhagen	19·32½-8	Zürich	12·08½-4

## Gilt-edged

Consols 4%	63½	Funding 3% 59-69	81½xd
Consols 2½%	42½	Savings 3% 60-70	78½
Conversion 5½% 1974	94½	Savings 3% 65-75	71½
Conversion 5% 1971	92½	Savings 2½% 64-67	84½
Conversion 3½% 1969	84½	Treasury 5½% 2008-12	90½
Conversion 3½%	55½xd	Treasury 5% 86-89	85½xd
Exchequer 5½% 1966	99½	Treasury 3½% 77-80	72½
Funding 5½% 82-84	95½	Treasury 3½% 79-81	71½
Funding 4% 60-90	89½	Treasury 2½%	40½
Funding 3½% 99-04	62½	Victory 4%	95½
Funding 3% 66-68	82½	War Loan 3½%	57½

# Reviews

## First Supplement to Dymond's Death Duties, Thirteenth Edition

by REGINALD K. JOHNS, LL.B. (The Solicitors' Law Stationery Society Ltd, London. 9s 6d.)

With the author an assistant controller of death duties at the Estate Duty Office, it would be difficult to find a book on estate duty written by anyone better qualified for the task. All those who have to wrestle with the problems thrown up by the never-ending spate of legislation and litigation have cause to be grateful to him, not only for his lucid exposition but also for the hints as to how the Inland Revenue will deal with a particular situation. The decision of Mr Justice Cross in *Child's Trustee Co v. C.I.R.* (39 A.T.C. 96) has given rise to some considerable doubts about the question of liability where a life policy is settled, and Mr Johns gives a masterly analysis of this case. He also deals extensively with the implications of the important House of Lords decision in *Public Trustee v. C.I.R.* (38 A.T.C. 382) and the probable practice of the Estate Duty Office as a result of that case.

Included in this supplement are the legislation in the Finance Act, 1960 and the terms of the double tax agreement with Sweden. Changes in practice in relation to Inland Revenue forms are also dealt with. As a useful account of changes in the law in the year ended November 1960 alone, the supplement is worth having, even without the main volume.

## The Official Year-book of the Church of England

(The Church Information Office of The Church Assembly, Church House, Westminster, London, SW1. 30s net.)

The 1961 edition of this useful work of reference provides up-to-date and authoritative information on the Church of England and contains full diocesan lists of officers and officials, cathedral and other dignitaries for every English diocese, together with shorter lists of personnel for other churches and provinces in the United Kingdom and overseas. There are also details of non-Anglican churches with which the Church of England has special relations.

Three new tables are included in the statistical section of the year-book dealing with comparative standards of contributions to parochial church councils; analysis of objects of parochial expenditure and analysis of parochial quota assessments. Other tables in the section deal with primary and secondary schools in England and the sources of income of parochial church councils.

There is a comprehensive section relating to the work of the Church Assembly, its boards and

councils, together with an alphabetical summary of legal information and a 'who's who' of members of the Church Assembly and some of its boards and councils.

## Whillans's Tax Tables and Tax Reckoner 1960-61

by GEORGE WHILLANS. (Butterworth & Co (Publishers) Ltd, London. 1-5 copies 5s each, 6-24 copies 4s 6d each, 25 and over 4s each, post free.)

The 1960-61 edition of Mr Whillans's deservedly well-known tables is in the traditional form. There is a table of rates of capital allowances, of average rates of exchange, of tax chargeable at various rates on various amounts (with a useful table for grossing-up at 7s 9d), and an extremely useful table of income tax rates and reliefs for 1938-39 and for the years 1953-54 to 1960-61. Surtax rates are shown for 1937-38 and for the years 1946-47 to 1959-60. Then there are various miscellaneous items of information: Schedule A repairs allowances, National Insurance contributions and allowances, basis of assessment of foreign income, a list of double tax agreements, P.A.Y.E. code numbers, uniform allowances, two-ninths tables, stamp duties, estate duty rates, and finally a calendar. The tables supplement the textbooks, and for simple problems even replace them.

## SHORTER NOTICES

RETURN ON CAPITAL AS A GUIDE TO MANAGERIAL DECISIONS. Research Report No. 35, National Association of Accountants, 505 Park Avenue, New York, 22. This research report of 107 pages takes into account the practices of forty-four companies and includes a useful bibliography of American writing on the subject. The work is divided about equally between the measurement of periodic profit performance and the use of the rate of return ratio for evaluating capital expenditure plans. It is pointed out that 'rate of return is used for purposes which call for quite different concepts. Methods designed for different purposes are not alternatives, but instead they are different tools related only by the fact that they are all ratios between capital and income'.

FIRST CUMULATIVE SUPPLEMENT TO UNDERHILL'S LAW RELATING TO TRUSTS AND TRUSTEES, *eleventh edition*, by M. M. Wells, M.A., Barrister-at-law. (Butterworths & Co (Publishers) Ltd, London. 5s net.) This supplement brings the main work up to September 1st, 1960, and deals with a number of important decisions, as well as the changes brought about by the Mental Health Act, 1959, as far as they affect trust law. There have been several decisions on the Variation of Trusts Act, 1958, as well as one on name and arms clauses.

POTATOES FOR PROFIT, an economic study of the 1958 crop results, by W. L. Hinton and A. J. Plaister. (Farm Economics Branch, School of Agriculture, Cambridge. 2s 6d post free.) The costs and returns dealt with in this mimeographed report were studied in four main-crop potato districts and one early potato district in the Eastern Counties. The chapter on costs includes operational costs, factor costs and costs as a guide to

management. Numerous tables, covering nearly half the twenty-two pages of the booklet, give useful information on such items as yield per acre, profit per acre and net costs per ton.

### RECENT PUBLICATIONS

**DUTIES OF A COMPANY SECRETARY**, by T. Bolton, A.C.I.S., and Percy F. Hughes, F.C.I.S. xv+382 pp. 9×6. 30s net. Secretaries Journal Ltd, 98 Park Street, London, W1.  
**HOW TO TAKE MINUTES**, by Ernest Martin. Seventh edition, by G. K. Bucknall, A.C.I.S. (HONS.) vi+122 pp. 9×6. 10s 6d net. Sir Isaac Pitman & Son Ltd, London.

**GUIDE TO KEY BRITISH ENTERPRISES**. A selection of approximately 10,000 prominent firms and companies in the primary, manufacturing and distributive trades of the United Kingdom. Compiled from the files of Dun & Bradstreet Ltd. 807 pp. 11½×9. £6 16s 6d carriage free. Dun & Bradstreet Ltd, Adelaide House, London Bridge, London, EC4.

**WHERE TO LOOK FOR YOUR LAW**, thirteenth edition, by C. W. Ringrose, Librarian to the Hon. Society of Lincoln's Inn. viii+228 pp. 8½×5. 10s 6d net. Interleaved edition 21s. Sweet & Maxwell Ltd, London.

**I AM A BANK CLERK**, by Philip N. Russell, B.A. 127 pp. 7½×5½. Card covers. 4s net. Macmillan & Co Ltd, London.

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

### Trade Pacts in Industry

SIR, — Referring to the article on 'Trade pacts in industry' (March 18th issue), it is time that accountants gave more attention to the harm being done by monopolies and restrictive practices legislation. 'Monopolies' does not mean monopolies in any normal language; 'restrictive practices' are commonly expansive practices; 'public interest' is so narrowly defined as to have no normal meaning. What opinions would the judges of the Restrictive Practices Court express on the cases they have considered, if the Act defined the term 'public interest' in any usual way? We shall never know.

Exports are being lost because industries cannot afford the time to fight for their agreements. The legal costs to those defending them (apart from the costs to the taxpayer of the Court, the Registrar's office and legal costs) are of the order of £60,000 to £100,000. What must it cost a group of companies to prepare evidence for such cases? Consequently prices rise, quality falls, research and development are hampered, exports are lost.

The late Sir Henry Clay, by whose inspiration I write this letter, pointed out in *Lloyds Bank Review* for April 1952, that the legislation was introduced by Government to distract attention from excessive and wasteful Government expenditure. His paper is well worth reading today and from time to time.

Meantime industry is put in the weakest position to fight overseas monopolies and cartels in the export market and to fight the real monopolies which are the nationalized industries and the trade unions.

Under the narrow definition of public interest, the Court, since the article appeared, has agreed that the cement agreements are not against the public interest. If they condemned them prices would rise. The judgment quotes the uncontested evidence that if

new, efficient plants were installed, prices would rise by 20 per cent. The public, in many other cases (e.g. bread baking and glass bottles), enjoys low prices because of the depreciated pound induced by high Government spending. Inadequate returns on capital still standing at original and depreciated values are a main reason for take-over bids.

It is hoped that contributions will appear in *The Accountant* from time to time based on careful studies of what is really happening to industries and ignoring the theories of economists.

Unnecessary hours of cross-examination are spent in the Courts in examining industrial witnesses because terms such as 'cost', 'capacity' and 'profit' can have so many meanings.

Yours faithfully,

London, SW19.

HARRY WARD.

### The Small Practitioner and Registration

SIR, — Having read Mr C. R. Shakespear's letter in your issue of March 18th, may I, as a member of The Institute of Chartered Accountants in England and Wales, not being a public accountant, take advantage of your columns to put forward my views on registration?

Our Institute was, as Mr Shakespear says, formed for the profession of public accountants and undoubtedly provides the finest training in that field. Unfortunately, having acquired this excellent training, young men cannot find adequate financial rewards to permit them to stay in public accountancy and therefore they move into industry. These young men are not trained as industrial accountants but they are able, as a result of the prestige of the Institute, to obtain employment as such because the average employer does not realize the totally different mental approach and training required by industrial, as opposed to professional, accountancy. These young men leave the profession to escape the poor rewards there and are prepared to accept rewards very little better in industry. We have in fact a continual stream of entrants to industrial accountancy who are not trained for the work but who do, without doubt, adversely affect the salaries of those who are.

It must occur to the industrial accountant that if registration increased fees in the profession and con-

sequently professional salaries, he himself would benefit. It is not possible in the long run to shake the dust of professional accountancy from one's feet and to take refuge in industry from the problems of the profession. The prosperity of the accountancy world is indivisible and it is sensible for the industrial accountant who is a member of the Institute to support registration if he considers that it will increase the prosperity of the professional members.

If a referendum on registration takes place following the meeting held in Birmingham on March 18th, it would be well for those members of the Institute who are in industry to consider that their own interests are involved and to vote on the issue. It would be a great pity if the move to ventilate the matter of registration fails, as Mr Shakespear appears to fear that it will, because of lack of interest on the part of industrial members who do not even appreciate that their own interests are involved.

Yours faithfully,

*Cleethorpes, Lincs.* H. WEBSTER, A.C.A., A.C.W.A.

[We are informed that the meeting on March 18th, to which our correspondent refers, was not primarily concerned with the question of registration as such. The meeting was an informal gathering of small practitioner members of the Institute, called by Mr H. J. Anderson, F.C.A., of Edgbaston, Birmingham, and Mr G. M. Collier, F.C.A., of Enfield, to discuss the nature of the problems with which such members are confronted at the present time. We understand that a small sub-committee undertook to do further research and to seek possible solutions for submission to a later meeting. — Editor.]

### Specialism in the Profession

SIR, — With your permission I would like to make a short reply to Mr Stephen F. Russell. I would have replied sooner, but I have been out of the country for the last few weeks, and have only just read his letter in your issue of February 25th.

Everybody is aware that the examinations of The Institute of Cost and Works Accountants cover a large number of subjects, many of which are not covered by the other professional bodies. I have every admiration for the I.C.W.A. and its members. It is, however, a rash assumption that every accountant who has spent three years in commerce or industry is eligible to become a Fellow of that Institute. Costing is not the only work performed by accountants in business organizations. Many accountants have spent a lifetime in industry without doing any work which by the widest stretch of the imagination could be construed as 'practical experience of cost accountancy', but who have specialized in management accounting for many years.

If I may also refer to Mr A. J. Perera's letter (February 11th issue), I agree that a management accountant is not a business manager; the requirements for these two types of job are both entirely different. Unfortunately, however, the management accountant's duties cover far more than he supposes.

The presentation and interpretation of financial, economic and statistical information is, indeed, a very important function, but it only accounts for about two-thirds of the work which management accountants may be called upon to do. Personally, I have not done any of this type of work or had any costing experience in over three years of specializing in management accountancy.

Yours faithfully,

*Hove, Sussex.*

J. W. MITCHELL.

### Return on Capital

SIR, — At a series of lectures attended by the writer, the subject of the measurement of 'return on capital' was discussed. A brief rule of thumb method was stated to be: 'The net cash gain after charging depreciation should be expressed as a percentage of half the original sum invested'.

Half the original sum is used as it is contended that this represents the average amount of the un-amortized balance standing in the books during the life of any particular asset, the other half having been repaid to whoever provided the initial investment.

This method appears to present a most misleading picture since an investor can reasonably expect that the asset producing the cash gain is to be replaced at the end of its effective working life and that the sums set aside by way of depreciation shall be accumulated within the business to replace the asset and preserve the earning capacity intact.

This point of view seems to be endorsed in the article, 'Depreciation and provision for replacement', which appeared in *The Accountant* of February 25th, when emphasis is laid on the maintenance of the capital invested.

If this latter principle is accepted, and it would appear reasonable so to do, then the return on capital can best and most realistically be expressed as a percentage of the original capital invested in any given asset or business.

As, however, there appears to be a conflict of professional opinion on what seems a basic principle, I would be interested to hear the views of other members of the profession who might, like myself, have to present capital expenditure justifications to their boards.

Yours faithfully,

RECTE NUMERARE,

(B.COM., A.C.A.)

### Calling Accountants in Life Offices

SIR, — As an accountant with a City life assurance office I would very much like to meet other accountants similarly engaged, with a view to discussing common problems.

Yours faithfully,

P. U. P.

(Pseudonym of a chartered accountant).

[We shall be glad to forward any letters from interested readers to this correspondent. — Editor.]



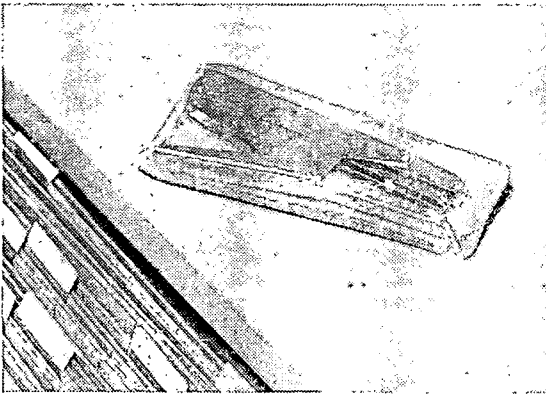
**A monthly feature designed to keep readers - whether in practice or in commerce - abreast of the latest developments in the field of office equipment.**

## New Office

### Lightweight Stapling Device

**A**CCOUNTANTS will appreciate the versatility of the *Nipper* stapling plier. It slips into a pocket or a desk drawer. It can be used for clipping extra sheets to existing documents - without removing them from the file. The staples are exceptionally small and neat, and take up less filing space than pins or paper-clips.

Despite its compactness, the *Nipper* needs very little pressure even when thick documents have to be



'Nipper' Stapling Plier

penetrated. This is because it is constructed on the cantilever principle. The makers also claim that it is practically 'jam-proof'.

Price: 22s 6d.

Ofrex Ltd, Ofrex House, Stephen Street, London, W1.

### Lightweight Adding Machine

**P**ORTABILITY is a strong point of the *Everest Plurima* hand-operated adding machine, making it suitable for inter-office use and external audit work. It weighs 12 lb. and fits into a smart carrying case measuring 8 in. by 12 in. by 5 in. - the operating handle, held by a single screw, is easily detached for this purpose.

Both decimal and sterling amounts can be added or subtracted. When working in whole numbers, a carry-over key makes it possible to do simple multiplications. The capacity of the machine is 999,999,999.99 or 99,999,999.999.

Fast working is ensured by the simplified design of the keyboard. All keys are conveniently grouped - well within the span of the operator's hand - on the right-hand side of the machine. Differing amounts can be repeated without clearing and resetting the repeat key.

When adding or subtracting in sterling there is a novel safety feature: the 10d or 11d key locks the key bar, thus making it impossible for keys to be depressed in the wrong order.

Totals and sub-totals are printed in red; other figures in black. The guiding bar over the easily-removed tally

roll is transparent so that it does not obscure any of the printed figures. At all times the credit balance is visible in a window to the left of the keyboard.

The *Everest Plurima* is sturdily built and looks attractive with its modern styling and two-tone finish. To reduce noise and to absorb shock when moving the machine from one office to another, the base is completely encased in rubber.

Price: £49.

Office Mechanisation Ltd, Ofrex House, Stephen Street, London, W1.

### Versatile Low-cost Duplicator

**W**ITH a neat turn of phrase, the makers of the *Sada Sprint* spirit duplicator say that it converts the 'one-typewriter office into a private printing press'. But although this new, inexpensive machine is of particular interest to small businesses, it is also likely to find many uses in large concerns.

For its size and price, the *Sprint* is certainly versatile. It duplicates on sheets of any size from foolscap to postcard or smaller, and of any thickness from card to airmail. If the 'master' is prepared with hectographic carbons of different colours, typescript, drawings or photographs can be reproduced in up to six colours at once.

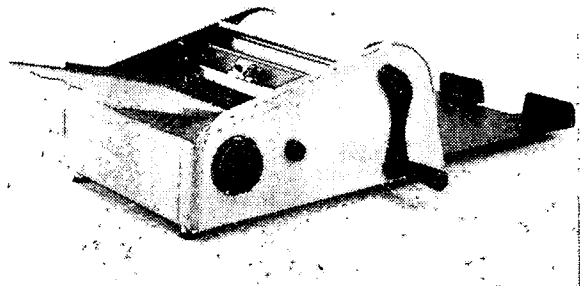
The operator is not involved in any 'messing about'. The distribution of the duplicating spirit is completely automatic, and there is a very simple method of clamping the master to the cylinder. Together, these features practically eliminate the risk of dirty hands or dirty copies.

The impression is easily adjusted both vertically and horizontally. The adjustment is sensitive enough to permit duplicating on pre-printed forms.

Accessories available include hectographic carbon and masters, duplicating spirit and backing sheets.

Price: £34 10s.

British Olivetti Ltd, 30 Berkeley Square, London, W1.



'Sada Sprint' Duplicator



# Equipment

## P.A.Y.E. Tax Slide

THE estimated cost to employers of administering P.A.Y.E. is of the order of 10s per annum per employee – a total cost in the region of £10 million. The *Clayton P.A.Y.E. Tax Slide*, devised by Mr Jack Clayton, F.C.A., should make a significant saving on this cost.

The normal procedure for P.A.Y.E. for weekly wage earners requires, per employee per week, six columns of figures, one addition, two subtractions and reference to two tables. With the consent of the Inspector of Taxes, employers may use a modified procedure (devised in the middle forties by Mr Clayton under which tax is deducted from each week's pay for three weeks, by reference to the simplified tables, and in the fourth week, as a separate operation, the deductions are adjusted to agree with the cumulative tables).

The *Clayton P.A.Y.E. Tax Slide* has been devised as an adaptation of the modified procedure. As compared with the normal procedure it eliminates – for three weeks out of four – four columns of figures per employee, one addition, two subtractions and reference to two tables. By sliding the appropriate P.A.Y.E. Code number to the arrow, the tax on a single week's pay can be read off within a maximum tolerance of 2s. Every fourth week the full cumulative procedure is used so as to bring the deductions into line with the normal procedure. It is estimated that with the use of the slide there is a time saving of at least 50 per cent. The slide also shows the deductions required by the new graduated insurance scheme.

Price: £1 10s post free (including free replacement of centre slider if the 1961 Budget alters P.A.Y.E.).

Skirden Products Ltd, 25 Buckingham Gate, London, SW1.

## Correcting Typing Errors

TYPING errors can be put right quickly and cleanly by using a new type of eraser called *Tipp-Ex Type Out*. A special slip is placed over the incorrect character, which is then retyped. The character immediately disappears.

The slips are supplied in packets of one dozen. Forty erasers can be obtained from each slip.

There is also a complementary product called *Cop-Ex Copy Out* which deals with carbon copies in the same way.

Price: 2s 3d per packet of twelve slips of either type. Smith-Corona (Great Britain) Ltd, 248-250 Tottenham Court Road, London, W1.

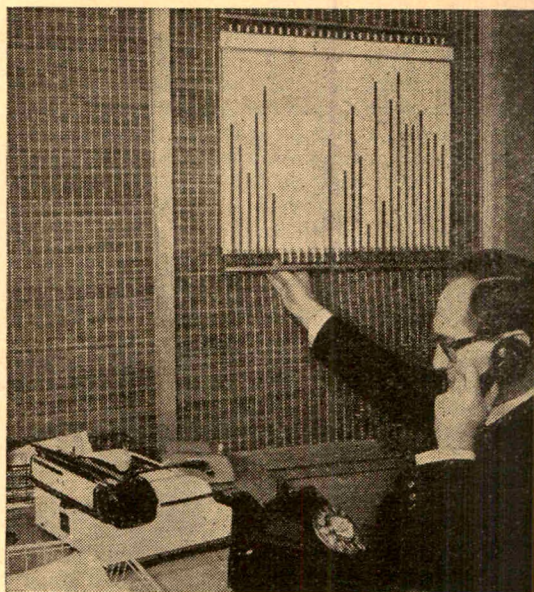
## Instantly-changed Wall Chart

THERE seems no end to the ingenuity of manufacturers in devising different kinds of mechanical planning charts. One of the latest developments in this field is the Norwegian *Dia-Plan* system.

The 'bars' are formed by continuous plastic ribbons, controlled by plastic pulleys at the base of the chart. One half of each ribbon is coloured and the other half is white.

A graph sheet is attached to the board with special clips, and the scale is typed on a paper strip which slides into the indicator bar.

Changes in any column are made instantly by rotating the appropriate control wheel and thus increasing or decreasing the length of coloured ribbon



'Dia-Plan' Wall Chart

in view. At the end of the charting period, the exact location of each ribbon, together with dates and other information, are noted on the graph paper before it is removed for filming.

The chart measures 22 in. by 24 in., contains 28 columns and can be used either vertically or horizontally. Ribbons are available in various colours. To prevent the control wheels from being moved accidentally, there is a transparent plastic cover for the whole chart; this also protects it from dust.

Price: £22.

Badenia Calculators Ltd, Lion House, Red Lion Street, London, WC1.

## For 'Marathon' Dictation

THE *Minifon P55* was the first pocket-size recording machine to become generally available in Britain. A new model, the *P55L*, has the advantage of making recordings of up to five hours' duration – representing up to 30,000 words of correspondence or memoranda.

Like the original machine, the *P55L* is very compact; it measures only 4 in. by 6½ in. by 1½ in. The recording medium is very fine steel wire wound on two plastic spools.

Power is supplied by two batteries: a 1.4 volt with a working life of up to twenty hours and a 30-volt with a working life of up to 200 hours. Both are housed in the instrument itself.

Price: £64 10s.

Office Equipment Division, EMI Sales & Service Ltd, Blyth Road, Hayes, Middlesex.



## LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS TAXATION CONFERENCE AT EASTBOURNE

A successful residential conference on taxation was held at *The Grand Hotel*, Eastbourne, on Thursday, Friday and Saturday of last week by the London and District Society of Chartered Accountants. The conference, which was attended by nearly 150 members, was under the chairmanship of Mr A. P. Hughes, F.C.A., and was opened by Mr P. F. Granger, F.C.A., Vice-President of The Institute of Chartered Accountants in England and Wales.

### Vice-President's Opening Address

Opening the proceedings, Mr Granger said that from the fact that the conference was over-subscribed he was sure that it would be successful; while the subjects of the papers ensured that there would be no lack of interest.

As a thought for the conference deliberations, he commended the idea that the 'true and fair view' was as essential in taxation matters as it was in all other branches of accountancy, and in his opinion the reputation of chartered accountants in the eyes of the public and of the Revenue must in essence depend on this approach to their work on taxation problems. 'We must be faithful to our presentation of facts, as facts,' he said.

Mr Granger expressed his personal dislike of the use of the words 'avoidance' and 'evasion' and the distinction made between them. He regarded it as a form of double talk and while there was, or appeared to be, a general view that avoidance is all right and evasion all wrong, there could obviously be a very difficult area where avoidance and evasion tended to meet. As a matter of interest, he added that *The Concise Oxford Dictionary* defined 'avoid' as 'shun, refrain from, escape, evade' and with great clarity 'avoidance' as 'the act of avoiding'. 'Evade' was defined as 'escape from, avoid, defeat intention of law while complying with its letter' and 'evasion' - again with clarity - as 'means of evading; shuffling excuse'. Neither was a very attractive word, he declared, and added: 'Quite obviously while taking such steps as we can legitimately take to mitigate the effect of taxation, I think we must remember our obligations to the community as a great profession in our consideration of these matters.'

### Fringe Benefits and Schedule E

The first paper presented on Thursday afternoon was by Mr E. C. Meade, F.C.A. (Messrs Deloitte, Plender, Griffiths & Co), and was on the subject of fringe benefits in relation to Schedule E. The speaker expounded the principles which establish when a benefit to an employee or director is chargeable to Schedule E tax under the ordinary rules and cited, as an illustration of what is not chargeable, the refund by a company of its employee's loss on resale of his house (*Hochstrasser v. Mayes*). Remarking that assessable emoluments could come from persons other than the employer (taxi-drivers' tips, clergymen's Easter offerings), Mr Meade dealt in detail with the difference

between various payments received by professional footballers and professional cricketers. He then dealt with the difficult distinctions between benefits which are worth money and benefits which are not, and the special case of the rent-free residence, where there may be liability under Schedule A. Moving from the free suit in *Wilkins v. Rogerson*, the speaker closely analysed the question of share options exemplified by *Philbin v. Abbott*. He pointed out that an option to buy the employing company's shares at current market value may well have a value in itself, if it has some permanence.

This topical note was maintained in an analysis of the new provisions in the Finance Act, 1960, concerning the taxation of the 'golden handshake'. Mr Meade gave an example to show how the somewhat complicated provisions work out in practice. His next topic was the system of taxing the benefits enjoyed by directors and by employees earning over £2,000 a year. The significant difference is that benefits which cannot be turned into cash may yet be chargeable, provided that they have cost the employer something. However, there is still some scope for avoidance where the employer permits the use of a car or house, for here the test is not the cost of the asset to the employer, but the value of the hire, a value which by Revenue practice may be assessed at a much lower figure than its commercial equivalent.

### Estate Duty Problems and Private Companies

On Friday, Mr D. O. Bailey, F.C.A., of Messrs Price, Waterhouse & Co, gave a lecture entitled 'Estate duty problems with special reference to private companies', which was mainly concerned with the problems thrown up or anticipated when the principal shareholder of a family company dies leaving an estate of, say, £100,000. He pointed out that in addition to the ordinary provisions for the taxation of shares passing on a death, there were complicated provisions in Sections 46 and 55 of the Finance Act, 1940, which made estate duty a real headache for executors, notwithstanding the mitigation of Section 55 introduced in the 1954 Act. He went on to show how these sections could be avoided altogether by timely action during the life of the principal shareholder, particularly on the marriage of his children. Out and out gift of the shares was best; if they were settled then the settlement called for the most careful drafting and he mentioned some of the snags. Assuming that a great deal of duty had to be found, the speaker dealt with the topic of taking out life insurance policies for the purpose of producing the necessary cash without having to dispose of the shares themselves. He also dealt with the alternative device of creating a special class of shares which could be sold to a finance company; thus leaving control and management with the family - assuming, of course, that the surviving management is of a calibre acceptable to the finance company. The entry of an outsider into the company was not neces-



sarily a bad thing, even apart from the money he brought in. A finance company could often help the family company in other ways, particularly if eventually it was decided to make the company a public one.

In all these problems the family company naturally turned to the accountant, whose responsibility was great. In carrying out that responsibility he required to work in the closest co-operation with the legal advisers and must be careful not to step outside his province. Still the first move might well lie with him, and the only safe rule was to act early.

### Back Duty

Mr S. M. Young, Barrister-at-law, addressed the conference on Friday afternoon on the subject of 'Back duty' and dealt briefly with the main types of evasion. By far the most common was the omission of sales, especially cash sales in retail trade.

Fictitious outgoings or expenses frequently involved the manufacture of invoices or vouchers and might involve third parties; this form of evasion might render the taxpayer liable to charges of forgery and conspiracy and should accordingly be treated by the accountant with great circumspection. The third type of evasion was the manipulation of stock values and in view of the numerous factors which could affect the value of stock it was frequently difficult for the Revenue to substantiate that a writing down, although eventually admitted or held on appeal to be excessive, was brought about by negligence or fraud. Mr Young then dealt with the provisions of the Finance Act, 1960, which relate to time limits for assessment and penalties and drew particular attention to the wide variation between the penalty for negligence and that for fraud or wilful default.

The majority of back duty inquiries, said Mr Young, arose from the Inspector of Taxes taking the view that the taxpayer's capital had increased to an extent inconsistent with his disclosed profits and income. The Inspector might obtain his information from the statutory report of interest in excess of £15 in any one year, or from the assets disclosed in the taxpayer's own returns, and occasionally from an anonymous letter. The affairs of another taxpayer sometimes provided the Inspector with information, as when a contractor furnished a statement of the amounts paid to sub-contractors.

Mr Young said that the accountant was fortunate if he heard about the inquiry before the client had told the Inspector that the money had been acquired by cash betting on the race-course. At the outset of an inquiry the accountant should advise the client of the powers of the Revenue, and of the courses open to them if there was an absolute denial of any omissions or irregularities. If the client was prepared to make a disclosure, the accountant should impress upon him the folly and danger of making a partial and incomplete disclosure. Mr Young then referred to the practice of the Revenue at the opening interview and said how unfortunate it was, in his view, that the terms of Section 504 of the Income Tax Act, 1952, made it impossible for the accountant to give the client an absolute assurance that he would be immune from prosecution even if he fully complied with all the requirements of the Revenue in the way of disclosure, access to records, and willingness to make restitution.

### Everyday Problems of Schedule A

In the opening remarks of his address on 'Everyday problems of Schedule A', on Saturday morning, Mr D.



At the Taxation Conference of the London District Society of Chartered Accountants held at Eastbourne last week-end. Left to right: Mr G. H. Vieler, F.C.A., Group Leader; Mr J. W. G. Cocke, T.D., M.A., F.C.A., Secretary of the Society; Mr F. G. A. Flynn, F.C.A., Group Leader; Mr L. H. Clark, F.C.A., Group Leader; Mr D. O. Bailey, F.C.A., Speaker; Mr E. C. Meade, F.C.A., Speaker; Mr D. B. Buick, F.C.A., Group Leader; Mr S. M. Young, Barrister-at-law, Speaker; Mr D. A. Huggons, F.C.A., Group Leader; Mr P. F. Granger, F.C.A., Vice-President of the Institute; Mr M. E. Hatch, D.F.C., F.C.A., Group Leader; Mr A. P. Hughes, F.C.A., Conference Chairman; Mr S. G. Prime, F.C.A., Group Leader; Mr G. R. Appleyard, F.C.A., Chairman of the Society; Mr W. D. Menzies, F.C.A., Group Leader; Mr R. Harrop, F.C.A., Group Leader; Mr H. Gordon Smith, F.C.A.



L. Forbes, J.P., F.C.A., said that he felt that Schedule A was a branch of the law and practice of income tax which was often sadly neglected by the average practitioner.

After referring to the basis of annual value, Mr Forbes dealt briefly with the different bases of valuation for Schedule A and rating purposes, and expressed the opinion that even if the Government brought in specific legislation it might be difficult to use the rating valuations for Schedule A purposes.

Dealing with maintenance claims, Mr Forbes referred to a recent answer by the Chancellor of the Exchequer to a question from Mr Nabarro in which it was stated that although there were about 6½ million owner-occupiers of houses, only approximately 600,000 – rather less than 10 per cent – would submit maintenance claims in 1960–61. From this Mr Forbes indicated that it was small wonder that the Government had been reluctant to abolish Schedule A on the basis that

there was precious little evidence to support the claim that the tax was oppressive or unfair.

In addition to giving practical hints in connection with the preparation of claims, Mr Forbes presented a list of expenses which he had compiled which were considered allowable for the purposes of maintenance claims and which amounted to some twenty different headings. Emphasis was placed upon the fact that the claim attaches to the property and not to the owner thereof and he stressed that purchasers should take care to instruct their solicitors to obtain written consent from the vendor for disclosure by the Inspector of Taxes of the vendor's expenditure on the property.

He went on to refer to property-owning investment companies presenting different types of claims for expenditure under Sections 100 and 425, and dealt with the question of directors' remuneration, referring to the well-known but 'over-estimated' case of *Copeman v. Wm. Flood & Sons Ltd.*

## DINNER AT BLACKPOOL NORTH LANCASHIRE CHARTERED ACCOUNTANTS

The efforts being made in the north with the object of formulating some sort of guide to rates of professional pay and profits, were referred to by Mr T. Hedley Bell, B.A., F.C.A., President of the Manchester Society of Chartered Accountants, at the annual dinner of the Lancashire Branch of the Society at Blackpool last week. Replying to the toast of 'The Institute of Chartered Accountants in England and Wales', proposed by the Bishop of Lancaster, Mr Bell said that accountants had to acquire tremendous mental agility as they switched from one subject to another. Their horizon kept widening all the time.

'It is quite possible for a busy accountant to act as financial director of a company, secretary of a company, secretary of a trade association, liquidator, trustee and executor all within the space of a month,' he said. 'It makes the job tremendously interesting but tremendously onerous.'

### Fees and Salaries

On the subject of fees and salaries, Mr Bell said that some few months ago representatives of the Leeds, Liverpool, Sheffield and Manchester District Societies met in Manchester to see what could be done to try and improve professional charges and salaries generally.

'The most extraordinary thing was that within a few minutes we all came to the unanimous conclusion that we would have to disclose to each other exactly what our profits were, what our salaries were and what our charging rates were.'

A questionnaire was drawn up for completion by each representative, the information given was collated under code numbers and considered at a second meeting. In the end, said Mr Bell, each of them knew what kind of profits were being earned.

The next stage was to ask each practising member of each district society committee to complete the same questionnaire and he was glad to say they had received almost a 100 per cent response. At the moment there were fifty-eight further firms whose profits and other other information had been collated and with the

fourteen original firms, this made a total of seventy-two. Mr Bell continued:

'We have not finally decided how we are going to deal with this, but our object is to circulate information to every practising member in each of the four districts in the hope that it will act as some sort of guide as to what are the current rates of pay, profits, etc.'

### Ignorance

Mr Bell said he thought a lot of trouble arose through pure ignorance. 'We are supposed to know precisely about every other kind of industrial and commercial activity but we know virtually nothing about our own profession,' he went on. One firm had been charging out its principals' time at £3 3s a day – a rate equivalent to that charged for comptometer operators. Another trap that accountants fell into was in allowing clients to telephone them on auditing and other matters throughout the year and yet take no steps to charge for it.

'I think we should take every opportunity to charge whenever we can,' declared Mr Bell. 'Our legal friends have got this buttoned up very well,' he added, amid laughter.

Mr Bell was deputizing for Mr C. U. Peat, M.C., M.A., F.C.A., Immediate Past President of the Institute, who was unable to be present owing to illness.

Proposing the toast, the Bishop of Lancaster referred to the link between accountants and the Church. This was brought about, he said, by the great movement of 'Christian stewardship' which was very much concerned with £ s d.

Proposing the toast of 'The Guests', Mr Eric W. Wells, F.C.A., Chairman of the Branch, said he thought the great object of their profession was to discourage those who might be tempted to wrongdoing, by so organizing such people's affairs that to do wrong would be impossible.

The Chief Constable of Lancashire, Col. T. E. St Johnston, responded.



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## Stamping Compulsory Transfers

IN these days of take-over bids, Section 209 of the Companies Act, 1948, has been much used. Where the bidder has obtained the agreement of the holders of nine-tenths of the shares or stock in the company to be taken over, Section 209 gives him the right to purchase the remaining 10 per cent compulsorily. Last week it was held in the High Court that transfers of shares or stock acquired in that way need be stamped 10s only, that is to say that such transfers were not transfers 'on sale' within the meaning of the Stamp Acts<sup>1</sup>. Giving judgment to this effect, Mr JUSTICE BUCKLEY said that the word 'sale' involved a consensus between vendor and purchaser; in a transaction pursuant to Section 209 the element of consensus was clearly absent. Presumably he distinguished the case before him from such cases as *Great Western Railway Co v. C.I.R.*<sup>2</sup>, *Attorney-General v. Felixstowe Gaslight Co*<sup>3</sup> and *C.I.R. v. Irvine and District Water Board*<sup>4</sup>.

In the first of those cases a special Act provided for the transfer of an undertaking from one company to another and directed that a copy of the Act should be charged with the same stamp duty as would be chargeable if the transaction were effected by an instrument in writing. It was held that the duty was *ad valorem* duty as on a 'sale', and not the fixed 10s duty. Section 12 of the Finance Act, 1895, provides *inter alia* that where a person is authorized to 'purchase' property by any Act and completes the 'purchase' he is to stamp the conveyance with *ad valorem* duty as on a sale. The later cases mentioned above turned on this section.

In the case now decided on Section 209, some of the holders of the 90 per cent of the stock executed transfers before the offer became unconditional. The transferee argued that the duty on these transfers should be 10s only because at the time of transfer no 'sale' was in existence and there was no certainty that it would ever take place. The learned judge rejected this submission. He said that the acceptance of the offer to buy resulted in a contract which, although conditional, was nevertheless a contract of sale. The transfers executed by accepting stockholders were 'transfers on sale' within the meaning of the Stamp Acts, notwithstanding that the purchaser might thereafter be in a position to call off the deal. If the argument of the transferees had succeeded, it would have opened a very wide gate to the stamp duty avoider. Indeed it would have made the payment of conveyance on sale duty a matter for voluntary option in most cases.

<sup>1</sup> *Ridge Nominees Ltd v. C.I.R.*, March 23rd, 1961.

<sup>2</sup> [1907] 2 K.B. 984.

<sup>3</sup> [1894] 1 Q.B. 507.

<sup>4</sup> [1905] 43 Sc. L.R. 649.

# Articled Clerks and Qualification Prospects

by H. S. A. MACNAIR, F.C.A.

IN the history of The Institute of Chartered Accountants in England and Wales perhaps the misunderstanding that has shown the greatest persistence is that which looks to the percentage of examination successes as a guide to the prospects of qualification for an articled clerk. As recently as last October an Eastbourne student declared in a letter to a daily newspaper that 'unfortunately the percentage of candidates failing is currently over 50 per cent at both Intermediate and Final examinations'. Readers of the newspaper might have been forgiven if they drew the inference that less than one in four of those who secured articles ended up as members of the profession. Indeed, one suspects that the writer of the letter inclined to that view, for his outburst was prompted by an article in the same newspaper suggesting that success was the lot of the majority of the entrants.

The fallacy of the syllogism 'Half the candidates achieve success at the Intermediate and half at the Final: therefore only one-quarter qualify' is apparent when it is appreciated that the names of successful candidates appear once only in the lists of results although they may have been included repeatedly in the numbers of entrants. This question is one which has previously been the subject of comment. It attracted special prominence in 1937 when the editor of *The Accountant* took up the cudgels in an effort to combat the prevalence of an error so discouraging to prospective entrants to the profession.

## Ten Year Analysis

His action sparked off an official inquiry by the then President of the Institute which took the form of a detailed analysis of the case histories of all clerks articled in 1926, ten years previously, with the following results:

	Per cent
(1) Members in practice at January 1st .. ..	3,604
(2) Articles registered ..	777
(3) Ratio of (2) to (1) ..	21.56

(4) Sat for Intermediate ..	739	Per cent
(5) Passed Intermediate ..	665	
(6) Ratio of (5) to (2) ..		85.59
(7) Sat Final .. ..	648	
(8) Passed Final .. ..	595	
(9) Ratio of (8) to (5) ..		89.48
(10) Ratio of (8) to (2) ..		76.58

More than a quarter of a century has passed since these data were compiled, and in the meantime there have been substantial increases in the numbers of members in practice and articles registered. Nor can the results of the single year 1926 be properly regarded as representative of the long-term trend of results. It so happens that in the case of many published statistics relating to the United Kingdom, the year 1926 signals a year of confusion brought about by the effects of the coal strike. While it is not suggested that this had any direct bearing on professional trends, it does illustrate the dangers attendant on drawing general inferences from the experience of a single year.

## Illustration of Statistical Science

The comprehensive survey of examination results that follows need not be regarded merely as a dry as dust assembly of figures. In addition to its primary purpose of establishing the facts, it is also intended to serve as an illustration of statistical science. It is true that the Institute's examination syllabus does not reflect the same concern with this field of knowledge that appeared in the former Society of Incorporated Accountants' syllabus, but an acquaintance with the principles involved will no doubt prove of interest and utility both to students and to members.

In this study an attempt has been made to summarize the annual totals of members in practice, registration of articles and progress through examinations, presenting the information tabulated in accordance with the statistical



TABLE I

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

(The averages shown in the table are based on the years 1889 to 1959 inclusive)

Base year	Column 1		Column 2		Ratio of (2) to (1)	Column 3		Ratio of (3) to (2)	Column 4		Ratio of (4) to (3)
	Members in practice		Registrations of articles			Intermediate passes and exemptions			Final passes		
	Actual	Average	Actual	Average		Actual	Average		Actual	Average	
					%			%			%
1894	1514	1540.1	185	190.0	12.37	146	160.0	83.99	119	139.7	86.31
1895	1586	1607.1	186	206.7	12.86	160	174.2	84.30	166	152.7	86.89
1896	1648	1673.9	207	219.9	13.14	181	187.5	83.31	149	165.1	89.57
1897	1737	1739.1	243	231.0	13.38	187	200.0	84.92	149	175.5	89.43
1898	1842	1804.6	267	242.1	13.41	217	208.7	85.41	200	184.9	89.43
1899	1911	1870.8	279	249.8	13.35	266	216.3	86.57	231	194.3	89.85
1900	1975	1937.9	314	260.1	13.42	245	225.7	86.79	229	202.0	89.48
1901	2013	2005.9	248	271.0	13.51	256	235.5	86.88	225	209.0	88.73
1902	2044	2074.7	289	278.5	13.43	240	244.0	87.60	213	216.9	88.91
1903	2107	2142.3	244	283.5	13.23	217	248.8	87.76	215	223.3	89.73
1904	2176	2208.3	258	285.8	12.94	242	250.5	87.67	214	226.6	90.46
1905	2266	2274.2	318	287.6	12.64	253	252.6	87.85	224	226.4	89.40
1906	2329	2341.4	293	290.1	12.39	284	255.8	88.17	232	219.6	85.86
1907	2432	2411.4	308	296.2	12.28	253	256.0	86.44	224	205.2	79.95
1908	2499	2482.0	302	303.0	12.21	248	250.2	82.59	252	187.4	74.87
1909	2573	2550.9	289	305.4	11.97	269	236.6	77.48	246	169.8	71.75
1910	2631	2616.4	340	302.8	11.57	284	217.6	71.87	209	165.5	76.05
1911	2701	2674.2	310	294.7	11.02	280	195.0	66.19	110	183.4	94.03
1912	2757	2718.7	311	284.3	10.46	221	198.7	69.83	39	193.6	97.43
1913	2806	2749.8	320	274.7	9.98	120	217.9	79.31	33	207.5	95.22
1914	2855	2770.2	269	300.5	10.85	67	257.1	85.57	44	215.8	83.94
1915	2897	2787.9	254	356.1	12.77	47	303.7	85.33	308	236.3	77.83
1916	2853	2812.1	195	400.9	14.26	39	335.6	83.71	506	264.5	78.82
1917	2799	2839.5	199	442.0	15.57	171	364.2	82.39	265	306.8	84.20
1918	2753	2873.0	219	490.6	17.08	805	410.8	83.75	304	362.7	88.28
1919	2728	2917.6	887	543.3	18.62	806	473.6	87.17	435	421.8	89.06
1920	2829	2969.4	855	594.6	20.24	679	537.7	90.43	430	466.9	97.25
1921	2988	3034.7	691	648.7	21.37	523	600.3	92.54	453	486.5	95.85
1922	3017	3119.2	752	707.8	22.70	549	655.0	92.55	542	506.5	76.43
1923	3216	3221.7	850	768.5	23.85	725	671.8	87.22	647	534.8	79.61
1924	3337	3341.3	794	796.6	23.84	717	659.4	82.77	613	555.0	84.17
1925	3452	3470.0	754	795.6	22.93	679	659.6	82.91	640	572.5	86.79
1926	3604	3596.6	777	808.8	22.49	659	675.1	83.47	567	590.8	87.51
1927	3738	3727.3	799	826.2	22.16	646	693.9	83.60	603	604.5	87.12
1928	3863	3862.6	834	831.4	21.53	666	698.9	84.06	533	605.1	86.39
1929	4011	4000.2	834	827.9	20.70	696	691.7	83.55	609	602.9	87.17
1930	4120	4147.7	887	817.6	19.71	794	684.4	83.71	607	596.9	87.22
1931	4229	4298.4	923	802.8	18.68	717	675.1	84.09	641	572.2	84.77
1932	4389	4444.3	868	790.5	17.79	731	658.8	83.34	628	528.4	80.21
1933	4550	4586.3	838	778.0	16.92	643	625.6	80.42	574	477.8	76.38
1934	4755	4714.7	737	760.4	16.13	655	578.4	76.06	642	426.2	73.70
1935	4985	4827.1	604	731.1	15.15	595	522.1	71.41	491	372.4	71.33
1936	5085	4926.7	631	689.9	14.00	557	464.6	67.34	222	316.9	68.22
1937	5174	5009.2	700	649.1	12.96	422	407.1	62.72	72	269.2	66.13
1938	5267	5073.5	682	611.1	12.04	227	353.6	57.87	51	252.2	71.33
1939	5175	5116.9	635	579.9	11.34	190	305.6	52.69	60	256.1	83.82
1940	5205	5136.8	500	569.4	11.08	184	324.0	56.91	79	269.7	83.23
1941	5135	5139.7	486	605.7	11.79	167	416.7	68.80	60	313.1	75.14
1942	5133	5149.3	488	681.3	13.23	132	516.4	75.79	255	393.2	76.14
1943	5093	5172.7	458	768.3	14.85	172	614.6	80.02	607	484.5	78.83
1944	5080	5209.9	494	847.9	16.28	165	700.0	82.56	687	565.6	80.79
1945	5058	5265.4	637	928.9	17.64	1454	776.5	83.59	717	638.4	82.22
1946	5069	5340.6	1324	1021.1	19.12	1552	861.0	84.33	864	713.2	82.83
1947	5382	5439.2	1518	1110.8	20.42	1420	956.2	86.08	1032	780.1	81.58
1948	5527	5560.2	1604	1200.9	21.60	1194	1059.9	88.26	918	824.7	77.81
1949	5660	5702.2	1305	1298.7	22.78	931	1174.0	90.39	814	861.4	73.38
1950	5830	5862.7	1450	1394.4	23.78	972	1227.9	88.06	782	904.2	73.63

A clearer idea of the trend and relative magnitudes of these figures may be gained by plotting the averages graphically at five-yearly intervals, as in Graph I.

methods best fitted to bring out their significant features. For this purpose the year of registration of articles has been taken as the base year. In Table I the first column shows the number of

members in practice at the beginning of the base year, and the third column shows the combined total of Intermediate successes and exemptions therefrom. The exemptions are tabulated for the year following the base year while passes are tabulated for the base year plus two. This arrangement reflects Institute regulations regarding the earliest permissible dates of entry. Similarly, Final passes have been tabulated for the base year plus four.

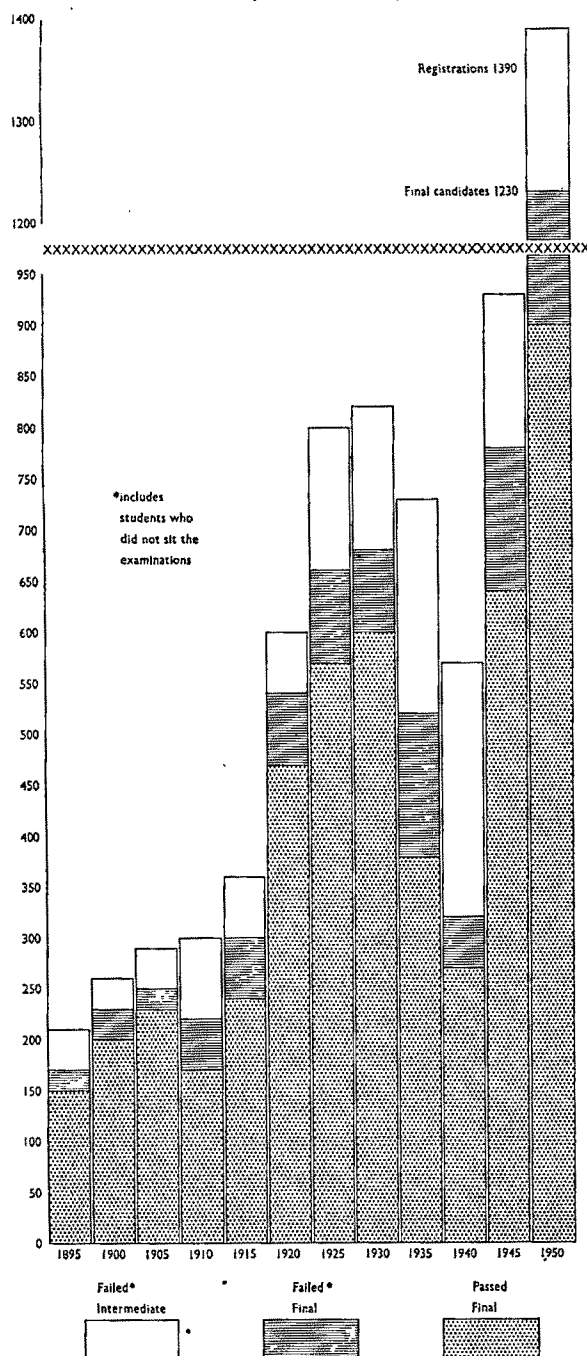
However, the yearly figures are not capable of being compared directly with one another. The interval elapsing between registration of articles and the taking of the Final was abnormally great in the years affected by the First and Second World Wars so that it has been found desirable to take a ten-year moving average, on the assumption that cases of clerks taking the Final successfully more than ten years after registration of articles must be rare. Adjustments have also been found necessary in relation to war casualties and other special circumstances. The information has been obtained from annual reports of the Institute as circulated to members, or as recorded in *The Accountant*. The published figures are not always consistent with one another, although the discrepancies are probably of negligible significance.

### Main Area of Probability

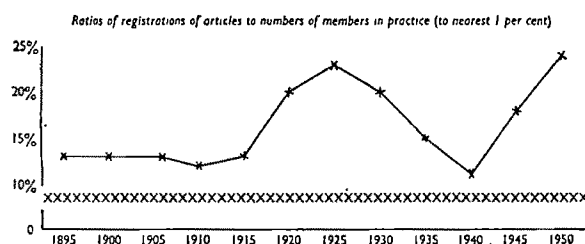
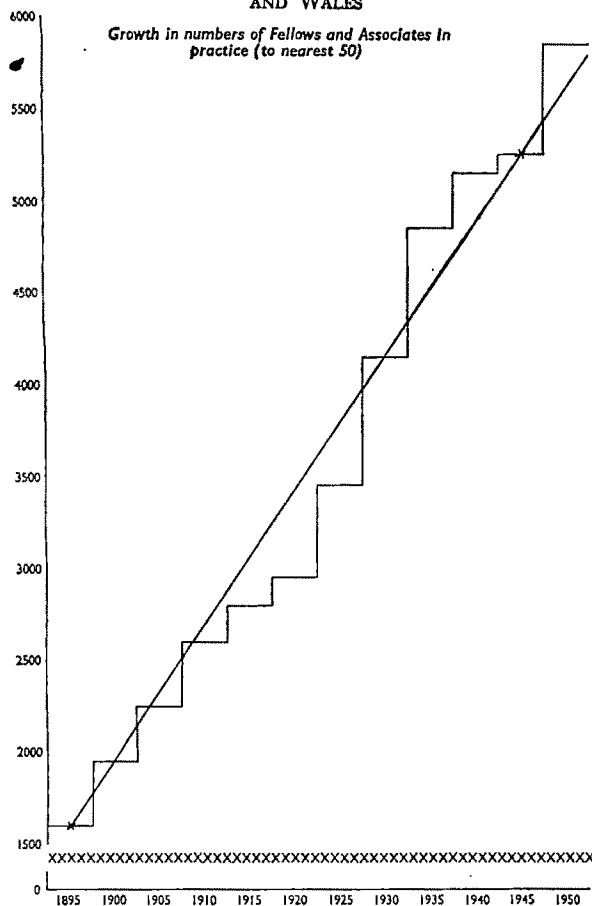
The next point to be considered concerns the question as to what ratios can be regarded as representative of the series as a whole and within what limits the main area of probability lies. The arithmetic mean, the best-known average, is statistically unacceptable where ratios are concerned. In its place the geometric mean has been computed (equal to the fifty-seventh root of the product of the ratios). The median (that is, the middle value obtained when the ratios are arranged in ascending order of magnitude) is also a valid single representative figure. The extent to which the series is dispersed about these two averages is measured by ascertaining the quartiles (on either side of the median, at the fifteenth and forty-third places) and halving the difference to yield the semi-interquartile range. The relevant results may be seen in Table II.

The significance of the mode is that it denotes the class interval containing the greatest number of entries. The choice of class interval shown in Table II has been made to include between 16 per cent to 19 per cent of the total number of entries. The semi-interquartile range indicates

GRAPH I  
THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND  
AND WALES  
Registrations of articles; ten-year moving averages tabulated at five-yearly  
intervals (to nearest ten units)



GRAPH II

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND  
AND WALES

the limits of dispersion of one-half the total number of entries about the average. It is interesting to note that of the figures resulting from the 1926 survey noted above, the ratio of Final passes to possible entrants falls within the mode, while the ratio of Intermediate passes to registrations occurs just above the median at a distance of about one-half the semi-interquartile range.

### Confounding the Pessimists

The factor of greatest interest, however, concerns the proportion of articles registered represented by Final passes. It will be seen that the 1926 result of 76.58 per cent is not in fact representative of the series. However, the figures revealed in Table II supply the answers with which to confound the pessimists. It is clear that not less than two out of three, or seven out of ten, on average, of those who enter articles ultimately qualify. Indeed, since the 'failures' represented by those who do not qualify include those who neglected to sit the necessary examinations or had their careers cut short by other circumstances, it must be concluded that the chances of success for those who complete their studies are appreciably higher.

The only element in the 1926 survey which has not found a niche in the foregoing summary is the ratio of registrations to members in practice. The reason for this becomes clear when regard is had to the growth of the Institute as illustrated by Graph II. While registrations of articles appear to vary in sympathy with conditions of business activity, the rate of growth of the sector of the Institute represented by members in practice is quite remarkably constant. As appears from the graph, the increase of 3,650 over the fifty years from 1895 to 1945 has been brought about by an almost constant rate of increase equivalent to one new member in practice every five days. This proof of the Institute's vigour offers a fitting conclusion to this study.

TABLE II

(1)

Statistical factor					(2) Ratio of registrations to members in practice Per cent	(3) Ratio of possible entrants for Final to Column (2) Per cent	(4) Ratio of Final passes to Column (3) Per cent	(5) Ratio of Final passes to Column (2) Per cent
Geometric average	..	..	..	..	15.40	80.70	82.47	66.56
Median	..	..	..	..	14.00	83.75	84.20	70.23
Lower quartile	..	..	..	..	12.39	80.02	77.83	63.07
Upper quartile	..	..	..	..	19.71	86.79	88.91	74.64
Semi-interquartile range	..	..	..	..	3.66	3.38	5.54	5.78
Mode:								
Class interval: 1 per cent	..	..	..	..	12.39 to 13.38	82.76 to 83.75	88.91 to 89.90	
Class interval: half the semi-interquartile range (2.89 per cent)	..	..	..	..				70.23 to 73.12

# Capital Gains in Wonderland

by ANGUS MACBEATH, C.A.

**I** WAS studying the bids and counter-bids in the latest take-over attempt when Alice came in. She was a little breathless.

'Oh, Uncle Mac, I've just had a call from the Jack of Hearts. He says there is something being discussed which will interest you and would you like to come along with me?'

'A call,' I queried, 'I didn't know Wonderland was on the telephone.'

Alice blushed. 'It's not the ordinary type of phone. He called me on the telepathic control of an electronic wave-band.' I was given no time to recover from this statement. 'Oh, do come and don't fuss,' she urged.

So along we went once more. The Cheshire Cat was not nearly so cheerful this time and when I remarked on it, Alice said it was because he had lost his appeal against surtax on his tips.

Even the trees didn't seem as cheerful as before and I was glad when we reached the open space in front of the castle and saw the Jack of Hearts and some others seated at the round table. He sprang up on seeing us and came forward. 'How good of you to come,' he cried. 'Do come and join our discussion.'

We were introduced to the others at the meeting and the Jack said, 'I'm sure it would be helpful to us all in considering the next step if we were to recapitulate (here the Dormouse seemed so surprised at the long word that he toppled backwards, while the Caterpillar puffed more rapidly at his hookah) all that has happened up to date.' He looked round sternly as though saying 'I dare anyone else to cause another interruption'. Then he began, 'Dormouse was the cause of it all.' (Everyone looked at the Dormouse who just closed his eyes and pretended not to hear.) 'While he was in the teapot we had all been investing on the stock exchange and doing very well, too,' the Jack smiled reminiscently. 'In fact nearly everyone was very happy at the way things were going until the Dormouse got his head out again. When he saw what he had missed he was furious and sent a petition to the Queen of Hearts demanding a capital gains tax.' Gloom descended over the assembled company.

'What happened,' I asked, 'Did he get it?'

The Jack bestirred himself. 'Oh, yes, we had to introduce one and this is what happened . . .', but the Mad Hatter interrupted, 'At first the

new tax was put on stock exchange gains only. Wherever it was announced, there was a run on the stock exchanges with everyone wanting to sell to avoid the tax. After only two days, business was suspended because everyone wanted to sell and the exchanges have been closed ever since.'

'And the stockbrokers marched to Parliament to demand the repeal of the tax—and for a subsidy while the exchanges were closed,' the Dormouse spoke up rather gleefully I thought, 'and the jobbers marched to the Park for a repeal meeting, and the staffs marched to the Square for a mass meeting of protest,' he was rubbing his hands now.

'Then the prices of land and property started to soar,' the March Hare joined in, 'so we put the tax on those and suddenly no one wanted to buy any property any more.'

'And the estate agents marched to a protest rally,' the Dormouse was really excited.

'Then the prices of diamonds and precious stones shot up so we put the tax on them,' said the Caterpillar puffing bitterly. 'Goodness knows what happened after that but the market just flopped and there was a protest march of jewellers.'

'After that the football pools got bigger and bigger.' It was Tweedledum this time. 'Don't forget the prizes on Premium Bonds,' chimed in Tweedledee, looking grim. 'They went away up too.'

'So we put the tax on them, too,' the Jack said sadly, 'and all the money switched to horse-racing and the dogs.'

'And there were protest marches of footballers and of savings committees.' The Dormouse was now fairly dancing with joy.

'Then it was antique furniture and works of art,' the Gryphon moaned softly, 'and the tax on them caused protest marches too.'

'So finally we decided to make everyone fill up a return of capital once a year and to tax them on the increase from year to year,' said the Jack of Hearts.

'That caused the greatest upheaval of all because the Inspectors of Taxes said they couldn't cope with the work, as they hadn't nearly enough staff and the accountants said it was impossible to make a full and proper return for everyone and they couldn't take on any more work for clients anyway.'

'And the Inspectors and the accountants all had protest marches,' gleefully announced the Dormouse.

'There seem to have been a great many protest marches,' I said to the Jack.

He grimaced, 'You have noticed that, too? The Dormouse realized what was likely to happen very early and he sold everything he had and bought a footwear factory. He has made more money than any of us. Look,' he said, and he handed me an advertisement cut from a newspaper which read: 'Soft-soled boots for indignant marchers', and after describing the boots, concluded, 'Dormouse, Son & Co Ltd'.

'He has been enterprising,' I ventured.

'Wish he was enterprising enough to get us out of our jam,' the Jack replied. 'We have discussed how to work this tax every way we can and no one has been able to think of a solution.'

'Can you think of one, Uncle Mac?' It was

that imp again and she looked at me with a mischievous twinkle in her eye. So *that* was why she had brought me along!

The Jack perked up. 'Oh, could you indeed help us, sir? We should be greatly in your debt.'

So I was caught again, and had to search round hurriedly for some way out. 'Have you thought of putting the Dormouse back in the teapot?' I asked.

Alice clapped her hands; the Jack clapped his; they all clapped their hands. 'That's it, put the Dormouse back in the teapot.' But when we looked for the Dormouse he was nowhere to be found. The cry went up, 'Find Dormouse, find Dormouse,' and eventually he was seen a bit dishevelled being escorted back to the table by two policemen.

'I'm glad that business is over,' said the Jack as he came to where Alice and I were standing. 'Thank you very much for your help.'

## Wider Local Authority Investment

### Formation of Central Investment Body Planned

CONTRIBUTED

**A** SCHEME for the setting up of a central investment body designed solely to cater for local authorities' special needs and interests has been advocated by the local authority associations. It has been drawn up by their financial advisers in anticipation of a clause in the Trustee Investments Bill, now before Parliament, coming into law.

The clause provides that 'without prejudice to powers conferred by or under any other enactment, any authority . . . may invest property held by the authority in accordance with a scheme submitted to the Treasury . . . and approved by the Treasury as enabling investments to be made collectively without in substance extending the scope of powers of investment . . . '.

The vast majority of authorities at present possess no powers to invest a proportion of their funds in equities and will, if the scheme is approved, thus be venturing into a new field of investment for the first time.

The scheme provides for the formation of a non-profit making company, limited by guarantee, for the purpose, *inter alia*, of establishing by means of a trust deed, central investment funds for the benefit of local authorities.

It is proposed that the company should be

called the Local Authorities' Mutual Investment Trust and that membership should be limited to serving members or officers of local authorities appointed by the associations, though other persons appointed by other bodies consisting of or representing local authorities may be admitted. The scheme has been drawn up bearing in mind the fact that the securities in which local authorities will, under the Bill, be permitted to invest their property will comprise three separate categories.

The first category (termed 'narrower range investments not requiring advice') will comprise defence bonds, national savings certificates, deposits in the Post Office Savings Bank or in a trustee savings bank, and deposits in 'certified' banks.

The second category (termed 'narrower range investments requiring advice') will comprise an extensive list of fixed interest securities with a few (e.g. the stocks of statutory water companies and deposits in building societies designated under the House Purchase and Housing Act, 1959) which are not fixed interest securities.

The third category will comprise mainly 'equity' investments (termed 'wider range investments') in which for the first time local authorities

generally will be empowered to invest, subject to compliance with certain important requirements. One of these is that not more than half of any fund may be invested in equity investments; and another is that, in order to achieve this, a local authority will be required to divide each fund into two equal parts before making equity investments under the Bill. Once the division has been made it will be permanent, but the Bill provides machinery for allocating property accruing to the fund and for taking property out of it.

As the local authority association advisers are careful to point out, responsibility for ensuring that the provisions of the Act in this respect are complied with, will rest with each individual local authority.

Local authorities, who are the only potential investors in the proposed investment funds, seem likely to fall into one or other of three broad categories.

There are the relatively small number of larger authorities who already have private Act power to invest in equities and who may or may not wish to make use of the investment funds for some or all of their investments instead of continuing to manage their own.

Then there are those who at present can invest only in gilt-edged securities and who may wish to continue themselves to handle those investments but to place 'new' money in an equities investment fund.

And thirdly, there are those authorities who at present can invest only in gilt-edged securities and who may want to place with the investment funds the whole of their investable moneys, including the proportion which in future they will be empowered to invest in equities.

### Two Investment Funds

So far as investment funds are concerned, it is expected that the scheme will provide for the immediate needs of local authorities by the establishment, by means of a trust deed, of an equities fund and a fixed interest fund.

The equities fund would comprise 'third category' investments, and would be one in which local authorities could place that part of any fund which they are empowered to invest in equities. There would have to be power for the company, at any time where circumstances might make it desirable, to invest part of the fund in the fixed interest securities, though the intention would be that ordinarily the fund would be invested wholly or largely in equities.

The fixed interest fund would at all times be

invested in 'first category' and 'second category' securities – so that in placing money with that fund, an authority would know that no part of it would be in equities, and that it would not therefore be counted as part of its 'quota' of equity holdings.

Provision is contained in the Bill to enable trustees (and, therefore, local authorities as well) to make loans by way of deposit to any local authority in the United Kingdom on the giving of a receipt, coupled with an undertaking to charge the loan to the revenues of the authority. It is envisaged that the scheme should be so drawn as to enable such loans to be made between local authorities and the company under similar arrangements.

### Retention of 'Loans Bureaux'

The local authority advisers have recommended that the company should be empowered by its memorandum of association to provide facilities for local authorities to deposit money with and borrow money from the company on a short-term basis – though this arrangement will have to be postponed until the scheme is well under way.

In any event, the advisers point out this, proposal is not intended in any way to imply the discontinuance of the 'loans bureaux' which, they say, are operating successfully in the sphere of local government finance and which have proved themselves of great value.

It is expected that the company will divide its operations into fixed periods, probably quarterly or monthly. A little before the beginning of the first period, the company will invite local authorities to contribute moneys for investment. Every £1 contributed on this first occasion will be treated as one 'unit' in the trust and at the end of the first period the dividends received will be payable to the contributing authorities in proportion to the number of units held by each authority.

Shortly before the end of the first period there will be another invitation to all local authorities to make further investments as from the first day of the second period. By this time, however, the value of a unit bought when the trust began will probably no longer be precisely £1 and it will be necessary to calculate the precise market value according to a fixed formula.

The intention is to constitute the company immediately upon the Bill receiving the Royal Assent. To begin with, the personnel and resources of the investment office of the Central Board of Finance of the Church of England will be placed at the trust's disposal.

# The Accounting World

## TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

### AUSTRALIA

#### New President of the Institute

**MR G. C. TOOTELL**, F.C.A., Vice-President of The Institute of Chartered Accountants in Australia and a partner in the firm of Spry, Clarke Tottell & Co, Chartered Accountants, of Melbourne, has been elected President of the Institute for the ensuing year.

Mr Colin R. Kelynack, F.C.A., a partner in the firm of Eric S. & C. R. Kelynack, Chartered Accountants, of Sydney, and Mr T. C. Boehme, F.C.A., a partner in the firm of Alexander & Boehme, Melbourne, have been elected Vice-Presidents.

### NORWAY

#### Tax Reform Programme

**THE** Norwegian Government has outlined in a 200 page White Paper, a twenty-one point programme for the reform of Norway's system of taxation.

An important reform which the White Paper suggests deserves study is the adoption of a P.A.Y.E. system for workers with no other source of income than their wages, thus freeing them from their present obligation to lodge a tax return each year. The Paper also contains proposals relating to changes in the country's tax tables which would enable tax relief to be given to wage-earners as well as a change in the system of child allowance.

Two important principles emerge from the White Paper. An intention by the Government to concentrate tax relief in the direct taxation sector of the community, therefore carrying further the trend towards indirect taxation. At the same time, it assents that under a system which places increasing pressure upon indirect taxes, it is also important to maintain the progression of taxation on individual incomes. The basic framework of the taxation system will, however, remain unchanged.

### UNITED STATES

#### Accounting Research

**ADDRESSING** the recent annual meeting of the American Accounting Association, Mr Raymond C. Dein, the Association's director of research, referred to the penchant, in accounting, for edicts which had the support of 'authority'. He wondered whether the committee approach was really the way to get progress in accounting. Looking at economics, accountancy's sister discipline, where model building has flourished with undoubted progress, he said

accountants hardly find support for model building by committees commissioned by an organization to set forth a consensus. The accountancy profession needed to develop its own Alfred Marshall, Pigou, Chamberlin and Keynes, for model building and model testing (the realm of accounting research) have commanded the efforts of too few accountants.

Mr W. B. McFarland, manager of research of the National Association of Accountants, in another address to the American Accounting Association, listed the following five projects as in progress: (1) A practical application of direct or marginal costing - a study of the experience of fifty companies with direct costing; (2) Costs of manufacturing and marketing capacity - a study of the problems arising in accounting from increased mechanization of industry and decreased flexibility in the work force; (3) Funds flow analysis for managerial control and decision making; (4) Uses and classifications of data for managerial decisions, emphasizing the broad responsibility of the accountant for giving the facts to management; (5) New techniques in inventory management, including statistical sampling, mathematical analysis, and the use of computers - an evaluation of company experience.

#### Conflicting Interests of Executives

**THE** law firm which acts as Chrysler Corporation's general counsel, and the auditors of that company called in to assist, have reported on their investigation of the relations of top executives of the company with supplier firms. The *Journal of Accountancy* reports that it was found that, while some executives owned stock in suppliers, all such stock had been acquired through a reputable broker as part of a normal investment programme, and the aggregate holdings in each supplier were small. Replies to individual questionnaires showed that many supplier companies entertain groups of motor industry executives on hunting, fishing or golfing trips over week-ends and occasionally for longer periods, and that most of Chrysler executives had at times accepted such invitations.

An earlier investigation by the same team had disclosed that the then president of the company had made a profit of more than \$450,000 from his interest in two outside suppliers. It was not suggested that such a conflict of interest should have been disclosed by regular audits of the company, for even a detailed audit could only by chance detect it. The general conclusion of the investigation committee is that none of the Chrysler executives had any interest in or benefits from any supplier which in any way conflicted with the company's best interests or interfered with the faithful performance of his duties.



### Professional Status of Accountants

IN contrast to twenty years ago when there were 120,000 certified public accountants in the United States as against 70,000 today, says the *Journal of Accountancy*, the C.P.A. is now generally regarded as having professional skill. Consequently C.P.A.'s must expect their share of public attention. The *Journal* quotes *Business Week* as saying: 'C.P.A.'s are taking their professionalism more seriously, will increasingly tell the business man "you can't" and "you must" . . . traditions are few in a field so new that the founders are still living and still listened to.' The *Journal* warns that C.P.A.'s must learn to live in the limelight.

### Meeting of Accountancy Bodies

CONTINUING an annual custom established several years ago, the presidents and administrative directors of the American Institute of Certified Public Accountants, the Controller's Institute of America, the National Association of Accountants, the American Accounting Association and the Institute of Internal Auditors met together in New York recently for the exchange of information and views on matters of mutual interest.

As in other years, the meeting proved a success, and included discussions on research activities, proposed plans for the Eighth International Conference to be held in New York next year, as well as a review of the programmes of each association. It is interesting to note that through these periodic exchanges of

information a great deal of duplication in the work of the respective professional bodies is avoided.

### Study on Public Finance

THE Brookings Institution has announced the appointment of a National Committee on Government Finance to develop a five-year programme of research and education in taxation and Government expenditures. The participants will be independent research organizations, universities and specialists in Government finance. The Ford Foundation has granted \$750,000 for financing the first stage of the study.

Dr Robert D. Calkins, President of Brookings, says this will be the first co-ordinated series of studies dealing with Federal, State and local finances in the United States.

### PAKISTAN

#### Regulation of the Profession

THE establishment of an 'Institute of Chartered Accountants' in Pakistan is proposed under legislation announced recently by the Pakistan Government. The legislation is intended to regulate accountancy in Pakistan and chartered accountants wishing to practise in the country will be required to register with the Institute.

No person will be permitted to act as an auditor of a public company before obtaining a certificate of practice from the Council of the new Institute.

## The Easter Reality

by a member of The Accountants' Christian Fellowship

WOULD Easter be so impressive if it occurred other than in the spring? We may doubt it. The spirit of the season is so obviously in harmony with the message of resurrection. We forget, in the joy of new life, that resurrection implies the suffering of death: that Easter must be preceded by Good Friday.

The deepest significance of Easter, for the Christian, lies here. The Resurrection was but the triumphant climax of a Death entered for us men and our salvation; a Death which for us was atonement. In the profoundest of human experiences, God deliberately identified Himself with us; sharing in that experience which no man can escape, that we might no longer fear where we could not see.

Here was the profoundest expression of a principle which is the keynote of the true

Christian life. It was no vacant idealism which caused the old-fashioned professional men to insist that the key to a satisfying life lies in service: but the Christian is impelled further, to find it in identification with his fellow men.

The Christian accountant is no mere juggler with the values and figures of life: a slave of the profit motive and the drive for efficiency. He can also look beyond, to the human realities which lie behind it all. He is no mere chronicler of the material vicissitudes of his fellow men, but one who has a unique opportunity to stand alongside them, equally with successful magnates and bankrupt failures, remembering that man is more than his material success or failure.

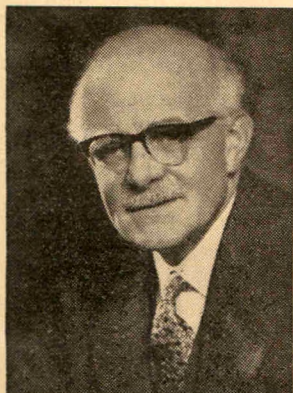
The spirit of Christian identification is never obtrusive or assertive; but it is ready to be found wherever it is sought.



# Weekly Notes

## Scottish Institute's New President

**MR GRAHAM A. USHER**, M.B.E., T.D., C.A., was elected President of The Institute of Chartered Accountants of Scotland for the year 1961-62, at the Institute's annual meeting in Glasgow last Wednesday.



Mr Usher was educated at The Edinburgh Academy, and was then apprenticed to Richard Brown & Co, Chartered Accountants, of Edinburgh, of which firm he is now senior partner. He was admitted a member of The Society of Accountants in Edinburgh in 1924.

A member of the Council of the Edinburgh Society from 1945 to 1949, Mr Usher served on the Joint Committee of Councils of the Chartered Accountants of Scotland from 1948 to 1950. He was a member of the Council of the Scottish Institute from 1953 to 1957 and has been a member of numerous Institute committees, including the Institute's special committee on the examination and training of apprentices as well as the committee which prepared the memorandum of evidence submitted in July 1960 to the Jenkins Committee on Company Law Amendment.

Apart from his professional practice, Mr Usher was, until recently, chairman of Thomas Usher & Son Ltd, brewers, of Edinburgh, and is vice-chairman of The United Wire Works Ltd. He is an Elder of Currie Kirk.

Having served in the Royal Artillery (T.A.) from 1920, he was appointed second in command of the 78th Field Regiment R.A. in the Second World War; subsequently during the war he held staff appointments at First Corps and other headquarters. He was appointed M.B.E. (Military Division), was awarded the Territorial Decoration with three bars, and was specially mentioned for meritorious service.

Mr Usher is a member of the Honourable Company of Edinburgh Golfers and of the Bruntsfield Links Golfing Society. His other recreations are deer stalking, fishing, shooting and curling. In his younger days he played rugby football with the Edinburgh Academical Club and for a number of years was an active member of the committee of the Royal Scottish Pipers' Society.

Mr James C. Stewart, C.A., is the new Vice-President of the Scottish Institute. He was admitted to membership of The Institute of Accountants and Actuaries in Glasgow in 1928, joined the staff of

Wilson, Stirling & Co, Chartered Accountants, of Glasgow, in the same year, and has been senior partner in the firm since 1957. He has been a member of the Council of the Institute since 1956, and a member of the Examining Board since 1950.

## Duple Bodies: Lords Reject Crown's Appeal

**DISMISSING** an appeal by the Crown in respect of assessments to income tax and profits tax made on Duple Motor Bodies Ltd, of Hendon, for the years 1951 to 1954, the House of Lords held last Tuesday that the direct cost method of calculating the value of work in progress should be applied.

The Crown had asked the House to restore a decision of the Special Commissioners, rejected by Mr Justice Vaisey and the Court of Appeal, that the proper method to be adopted was the on-cost method taking into account a proportion of factory overheads.

Lord Simonds said that after two days of discussion it was not clear what the on-cost method was. It was significant that Counsel for the Crown had asked the House to assist the Crown by saying of what the on-cost method consisted. Both methods were recognized by the accountancy profession as correct accounting, but the prevailing consideration must be that the taxpayer should not be put to any risk of being charged with greater profit than could be determined with reasonable certainty. The direct cost method was less likely to violate the taxing statutes and, said his lordship, if he had to choose he would choose that.

## Property Investment

**THE** substantial increase in life offices' investment in property in recent years was referred to by Mr Kingsley Read, F.I.A., F.S.S., at a meeting of the Institute of Actuaries held in London last Monday. It was clear, Mr Read said, that the main reason for this increase lay in the extent to which investment in property served as a hedge against inflation, and he pointed out that the value of a property in an area of growing population invariably increased in value. A consequence had been that instead of merely providing mortgage finance, a number of arrangements had been made with property companies whereby in return for the provision of mortgage finance, a share of the equity of the property company had been allotted to the life office.

He commented that the 'gearing' implied in the ownership of freehold property differed from that of equity shares. For a small life office the alternative to ownership of freehold property would be appropriately balanced holdings of the debentures and preference and ordinary capital of a property company - preferably with a Stock Exchange quotation. In considering the various kinds of property, Mr Read stressed the importance of a spread of risk both in types of property and geographically, and for the actuary concerned in life office property investment to obtain the best possible professional advice from surveyors, architects and solicitors.



### New Pension Scheme Starts

**N**EXT week sees the inauguration of the long-discussed national graduated pension scheme – so far as the payment of contributions is concerned – and of the coming into force of the National Insurance Act, 1960, under which increased basic contributions become payable. The earliest benefits under the graduated scheme will be available in July; but not until the year 2008 will anyone become eligible to draw the maximum benefits at present envisaged.

It is a far cry back to the autumn of 1958 when the White Paper outlining the Government's proposals appeared. The following July, the National Insurance Act, 1959, was passed. Since then controversy has been rife, and regulations and memoranda have emerged in a ceaseless stream. Some of the Statutory Instruments, moreover, have been baffling in their complexity – even to the experts. It yet remains to be seen what problems and complications will arise in operating the scheme – not least, perhaps, in explaining those operations to perplexed, and often disgruntled, contributors.

At present, there are over twenty-four million persons paying national insurance contributions, and never before has there been a national graduated system or a scheme which included the right to contract out. If a suitable occupational pension scheme is in operation, all but those over 65 (60 for women) in April 1961, those under 18, the self-employed and the non-employed, may be contracted out. It was estimated that those affected in this way numbered about ten million. It soon became obvious, however, that it would not pay to contract out for a substantial proportion of these and many large concerns decided not to contract out, even where the arithmetic based on the 1959 Act showed an advantage.

It is, perhaps, rather remarkable that the Government Actuary's original estimate of two and a half million contracted out (later revised to three million) should show signs of proving so close to the position when operations commence next week. We understand that the Registrar of Non-participating Employments has received 24,321 elections from employers and so far has issued 21,151 certificates covering over three and a half million employees (approximately three million men and half a million women); more elections are flowing in every day. The number in industry, excluding the public services, is about 1,100,000, but it was inevitable that industrial applications should be among the later ones, because of the variety of considerations involved. Other elections will undoubtedly be received for contracting out to start after the inauguration of the scheme.

### Department for Technical Aid

**T**HE Prime Minister announced in the House of Commons last week the creation of a new Government department which will be responsible for providing technical assistance to overseas countries. This will not include capital projects. A Minister of State

will be in charge of this new department and it is expected to have a Parliamentary Vote of its own and an expenditure of about £30 million a year.

The main responsibility of the department will be the supervision of this country's contributions to the United Nations Expanded Programme of Technical Assistance and Special Fund, as well as technical expenditure given under such schemes as the Colombo Plan. It will also handle many of the technical and advisory services at present supervised by the Colonial Office on behalf of dependent territories.

The main advantage of this new department will be that scarce resources of technical man-power (this will include various kinds of professional people) will be allocated by a central organization. The Foreign Secretary, the Commonwealth Secretary and the Colonial Secretary will continue to be responsible for general policy but within these general limits, according to the Prime Minister, the new department will take over responsibility for providing technical assistance.

The necessary legislation will be ready by Easter and it is hoped that the new department will begin to operate before the summer recess.

### Talks on Strikes

**T**HERE has all along been particular interest in the efforts of the Ministry of Labour to get both sides of the motor vehicle industry to discuss human relations on a long-term basis. The motor-car industry has for a long time played an important part in maintaining economic activity. It pays high wages and has been understandably reluctant to shed skilled labour at times of temporary recession. In addition, it has had more than its share of labour troubles fomented by independent-minded shop stewards. If something tangible could be achieved between management and labour in this industry there is clearly hope that a similar technique of pacification could be used in other strife-torn industries, such as shipbuilding and air transport.

Two specific proposals have come out of a final meeting held recently between the unions and employers in the motor industry. This series of meetings which was called to discuss strikes has proposed that a report should be made by the wages subcommittee of the engineering employers on how to simplify the wages structure and it was agreed that there should be a detailed explanation of the employers' plan to give paid time off for attending training courses for shop stewards.

Further proposals may emerge next month when Mr John Hare, the Minister of Labour, who has chaired these meetings, will present a document at a 'winding-up' meeting summarizing the extent of the agreement reached so far.

The agreement on the wage structure review is important since most of the disputes in the industry have arisen over wages and there is bound to be a



large potential area for dispute when the industry on the management side is divided on the merits of piece rates and time rates. The seemingly harmless agreement about shop stewards' courses is on the fringe of a basic problem on the union side of the industry and

that is the struggle for power between the union officials and shop stewards' committees. Any agreement which cuts down this area of potential strife is to be welcomed. Progress in this matter, however, is bound to be slow rather than spectacular.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 70

WE had just finished our last board meeting and were relaxing in a haze of tobacco smoke, when a new discussion developed. The managing director announced that he was considering a trans-Atlantic trip with the sales manager in the summer, to plan an export campaign for our factory products; about four weeks in the United States and about three in Canada should be adequate, he thought.

The deputy-chairman, it seemed, was also organizing a tour; he proposed to take the factory manager to machinery exhibitions in Brussels and Frankfurt and Milan to study the latest developments. A really strenuous journey, he indicated; they'd be physically exhausted when they returned. It sounded rather fun to me.

Prinny, our personnel director, scrutinized his finger-tips and said something about a European conference being on his agenda. Labour relations in Geneva, of course, and then a session in Montreux, and back via Paris; he wouldn't get much rest, he thought pensively, and those present seemed to understand why.

The chairman was in benevolent mood; he asked me if I had anything planned; had the chartered accountants any conferences or such-like this year? It was suddenly rather mortifying to answer in the negative.

It seems an omission in our professional life that we have so few such gatherings; from the personal angle, we lack the stimulus of adequate expert discussion of our problems, besides new techniques and procedures; institute-wise, we miss valuable opportunities of achieving a little dignified publicity. The summer schools, though their quality is high, are numerically too small to attract national attention. Other professional bodies that are akin to ours, hold week-end or annual conferences, but too prone are we to hide our light determinedly under our traditional bushels.

I tried to visualize what an ideal future should hold for us. There would be a week-long conference in some attractive venue, with the best brains of the profession to lecture on the most modern topics; no

windy rhetoric or platitudinous utterances, but authoritative and judicial assessments: incisive analyses of tax incentives, unit costings for exports, take-over bids, shareholders' rights, financial structures. Attendance would be a *must* for members of the profession who, with interested observers from other walks of life, would come in their thousands.

The sheer prestige of the function would constitute a tribute to the profession; outsiders would hold us in awe, practitioners in the smaller towns would be marked men. I pictured the vast auditorium packed and spell-bound . . . the representatives of top management ('gentlemen, it has been a profound experience') . . . the trade union leaders ('brothers, at last we understand') . . . the wondering politicians ('our petty differences have become insignificant') . . . the Prime Minister overwhelmed ('a new national holiday proclaimed, by gad, Magna Chartered Day') . . . the Chancellor of the Exchequer like one who has seen a vision ('so this is true tax policy! Summon the draftsmen').

Outside, the packed planes disgorge fresh thousands into the huge tree-lined avenues: 'Us C.P.A. boys sure raise our hats today' . . . '*messieurs, c'est magnifique*' . . . 'dinky-die, cobber' . . . 'a chota-peg before tiffin; huzoor'. We would need interpreters, receptionists, teleprinters, batteries of telephones, Press officers. . . . ('Proudly announce Fleet Street unanimously resolved devote 100 per cent paper-space all week to your brilliant conference.')

As a profession, we have been notoriously neglectful of the distaff side at our functions; but all would be changed. There would be garden parties, ambassadors' receptions, fashion parades, masked balls. . . . But they will be sparsely attended: our ladies would be there beside us at the lectures starry-eyed, rapt, their hands clasped in ours. ('So this is your chosen profession, dearest, I am so proud.')

Then, the final triumph: 'Never in our ancient history, my lords, has an earldom been so worthily bestowed.'

And in far-off thronged cities and bazaars, the crowds will stand back respectfully as we pass: 'Lo, brethren, a chartered one! There is yet hope for civilization.'

I came back to mundane reality with a jolt; there was no answer to be made. 'We don't go in much for public functions,' I said sadly. 'Good wine needs no bush; we prefer to keep to the bushel.'

Maybe the International Congress next year in New York will set our light shining from the skyscrapers.

# Finance and Commerce

## Pullman Service

THERE is always an added interest in looking at the accounts of a business with which one is acquainted even if it is merely as a user of its goods or services. That is one of the reasons why the accounts of The Pullman Car Co Ltd have been selected to form the subject of this week's reprint.

The company is now controlled by the British Transport Commission which owns all the 'A' and 'B' Ordinary shares, on which the dividend this time is lifted from £70,000 to £130,000. The company, however, has not always been so profitable. The 2s 'B' Ordinary shares are a reminder of the capital write-off in 1938, when 18s was lopped off the £1 nominal value and the remaining 2s shares were designated 'B'. Preference holders received back 14s in the £1 in the form of an income stock which has since been repaid or converted, gave up five and a half years of dividend arrears and had their remaining 6s turned into £1 'A' Ordinary shares.

The present company dates from 1915 when it was registered to take over the Pullman business of a predecessor of 1882. Much of its present increasing profitability is due to the new all-Pullman diesel electric trains which went into service during the year of these accounts – on the Manchester/London, Birmingham/London and Bristol/London routes.

## Gamage on H.-P.

IT is entertaining as well as instructive to read the post-mortems on the hire-purchase boom by company chairmen. Mr Eric M. Gamage, chairman of A. W. Gamage Ltd, the big London store, puts the main responsibility on the Government. The Government, he says, should never have introduced the 'free for all' technique which encouraged so many inexperienced – and sometimes unscrupulous – people to embark on schemes which were unsound from the word 'go'.

Might it not be said that the Government gave the people what they wanted – freedom from Government control – and the people used that freedom in an irresponsible manner?

'Many of you may think', adds Mr Gamage, 'that some of the big banks were not altogether free from criticism.' Which is not surprising. It has even been known for respectable professional men with reputable names to find themselves caught up in a share boom and finally landed with a company on the rocks.

Mr Gamage is able to assure shareholders that the

terms his company has offered for hire-purchase and credit sales have always been consistent with sound finance and that losses have only been nominal. Gamages, however, does not deal in second-hand cars.

One point is particularly interesting: Mr Gamage refers to some slight falling off in his class of business and thinks 'this is due entirely to a psychological reaction in the minds of some people who although they themselves were not financially embarrassed thought that there was something unwise or even dangerous in hire-purchase'. That, he says, was the result of almost continuous Press publicity. He admits this campaign may have been basically justified but it lost all sense of proportion when it blamed everything that went wrong in the country on the curtailing of hire-purchase facilities.

Mr Gamage looks forward to the time when hire-purchase and credit sale regulations become more or less permanently fixed – and purchase starts a new round of demands for freedom.

## The Figures

AS noted a while ago, the 'cake' that many companies cut with their annual accounts has become stale and thrown away. It was hardly ever more than a gimmick and represented a social and political phase of the times. What was needed, we have often maintained, was figures not just proportions, whether proportion be expressed as a slice from a cake or parts of one hundred.

A word therefore of appreciation to Sir Miles Thomas, chairman of Monsanto Chemicals Ltd, for the figures. The difference they make can be seen in their reproduction herewith.

### MONSANTO CHEMICALS LIMITED

The year at a glance	1960		1959	
	£	Percentage of Total Income	£	Percentage of Total Income
<b>WE RECEIVED:</b>				
From the sales of our products and from dividends, interest, etc.	£21,186,266	100.0	£18,853,882	100.0
<b>WE PAID OUT OR PROVIDED FOR:</b>				
Raw materials, fuel, supplies, etc.	13,518,865	63.8	11,811,282	62.7
Wages, salaries, national insurance, pensions, etc.	3,455,217	16.3	3,192,366	16.9
Depreciation and Obsolescence	1,458,516	6.9	1,229,599	6.5
Debenture Interest	355,000	1.7	355,000	1.9
	£18,787,598	88.7	£16,588,247	88.0
<b>WHICH LEFT</b>	£2,398,668	11.3	£2,265,635	12.0
<b>THIS HAS BEEN APPLIED AS FOLLOWS:</b>				
For payment of income and profits taxes	982,099	4.6	929,211	4.9
For payment of dividends to our shareholders	574,219	2.7	574,617	3.1
Retained in the business	842,350	4.0	761,807	4.0
	£2,398,668	11.3	£2,265,635	12.0

April 1st, 1961

# THE ACCOUNTANT

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## THE PULLMAN CAR COMPANY LIMITED BALANCE SHEET AT 31st DECEMBER, 1960

1959	Authorised	Issued	1959	FIXED ASSETS at valuation or cost, less depreciation to date (see Appendix next page):	£	£
£	£	£	£			
<b>CAPITAL AND SURPLUS:</b>						
Share Capital:						
386,000	£500,000	41% Cumulative Redeemable Preference Stock (see Appendix next page)	278,577	Rolling Stock and Equipment on Cars	1,539,588	
225,000	4,900,000 'A' Ordinary Shares of 5/- each	500,000	9,867	Buildings, Machinery, Motor Vehicles, Furniture and Fittings	8,573	
60,000	600,000 'B' Ordinary Shares of 2/- each	1,225,000				
		60,000				
671,000	£1,785,000	1,671,000	288,444			1,549,161
<b>Revenue Reserves:</b>						
5,000	General Reserve	.. ..	83,290	Stocks, at cost	75,951	
—	Less Share Issue Expenses	.. ..	13,749	Sundry Debtors	16,831	
292,829	Profit and Loss Appropriation Account	.. ..	829,422	Current Accounts and Deposit with Holding Company	639,739	
		293,079	3,940	Amounts owing by Fellow Subsidiary	6,562	
968,829		1,964,079	7,073	Balances at Bankers and Cash in Hand	30,670	769,753
<b>RESERVES FOR SPECIFIC PURPOSES:</b>						
27,713	Employees Pension Reserve	.. ..				
2,250	Reserve for compensation to Directors for loss of Office	2,250				
56,345	Amount set aside for future taxation	.. ..				
		30,311				
<b>CURRENT LIABILITIES:</b>						
70,648	Trade and Other Creditors	.. ..				
30,133	Current Taxation	.. ..				
70,000	Proposed Ordinary Dividend (net)	.. ..				
		323,524				
£1,225,918		£2,317,918				£2,317,914

JOHN ELLIOT, *Chairman.*  
F. D. M. HARDING, *Director.*

### REPORT OF THE AUDITORS TO THE MEMBERS OF THE PULLMAN CAR COMPANY LIMITED

We have audited the above Balance Sheet and annexed Profit and Loss Account and have obtained all the information and explanations which we considered necessary. Proper books have been kept and the Accounts, which are in agreement therewith, together with the Appendix thereto, comply with the requirements of the Companies Act, 1948. In our opinion the Balance Sheet and Profit and Loss Account give respectively a true and fair view of the state of the Company's affairs as at 31st December, 1960, and of the profit for the year to that date.

11, IRONMONGER LANE, LONDON, E.C.2.  
15th February, 1961.

PEAT, MARWICK, MITCHELL & CO.,  
*Chartered Accountants, Auditors.*

APPENDIX TO ACCOUNTS OF  
THE PULLMAN CAR COMPANY LIMITED

## NOTE I

31st December, 1959	31st December, 1960	
Cost or Valuation	Cost or Valuation	Deprecia- tion
£	£	£
668,883	599,019	69,864
145,984	36,892	109,092
137,564	88,121	49,443
24,480	—	24,480
25,698	—	25,698
1,002,609	724,032	278,577
		2,258,932
		719,344
		1,539,588

Rolling Stock as per independent valuation in 1937 ..  
Rolling Stock, at cost ..  
Remodelling, at cost ..  
Rolling Stock under construction ..  
Equipment on Cars, at cost ..  
The cost of replacements is charged to revenue.

Buildings, Machinery, Motor Vehicles, Furniture and Fittings:—  
At cost ..  
At net book value at 30th September, 1947 ..

## NOTE II

The costs of acquiring 5 new Diesel Trains in use at 31st December, 1960, have not been finally established. The additional costs are estimated not to exceed £250,000. Provision for depreciation has only been made on the expenditure on such trains included in these Accounts.

## NOTE III

## 4½% Cumulative Redeemable Preference Stock:

The 4½% CUMULATIVE REDEEMABLE PREFERENCE STOCK may be redeemed in whole, or in part, at the option of the Company (subject to compliance with the provisions of the statutes relating to such redemption) by three months' notice expiring at 30th June, 1961, or any subsequent 30th June or 31st December at the undermentioned prices:—

(i) If redeemed between 30th June, 1961, and 31st December, 1978 21s. 6d. per 20s. stock  
(ii) If redeemed on or after 30th June, 1979 .. .. 20s. 6d. per 20s. stock

## NOTE IV

Capital Commitments at 31st December, 1960, amounted to £570,000 (1959, £1,999,000).

THE PULLMAN CAR COMPANY LIMITED  
PROFIT and LOSS ACCOUNT for the year ended  
31st December, 1960

Year to 31st December, 1959	Year to 31st December, 1960	
£	£	£
901,613	1,028,476	
		Gross Operating Revenue
		Deduct:
620,053	727,555	Working Expenses
106,959	94,184	Maintenance of Rolling Stock
		Depreciation:
32,942	51,645	Rolling Stock
2,538	2,356	Other Fixed Assets
17,397	54,001	Renewal of Equipment
787	19,841	Audit Fee
500	1,000	Superannuation Fund
	375	Directors Emoluments:
1,692	1,700	Services as Directors
5,900	6,900	Other Emoluments
2,500	—	Ex Gratia Payment to a former Director
791,268	8,600	
110,345	905,556	
	122,920	
25,924	12,937	
136,269	135,857	
		Profit for the year before charging Taxation
		Add:
		Interest
53,113	5,092	
83,156	130,765	
		Deduct:
		Income Tax after giving effect to Investment Allowances Receivable
		Any charge to Profits Tax is borne by the Holding Company.
290,312	302,953	
373,468	433,718	
		Add:
2,924	10,124	Income Tax provision no longer required
287,388	292,829	Balance brought forward at 1st January, 1960
		Deduct:
10,639	10,639	Dividends paid and provided (less Income Tax):
70,000	130,000	Preference Dividend
80,639	140,639	Proposed 'A' and 'B' Ordinary Dividend
£292,829	£293,079	Balance carried forward per Balance Sheet



## CITY NOTES

**P**OLITICAL factors, and particularly the Laos developments, have tended to put the break on stock-market activity irrespective of seasonal influences and the approaching Budget. Recent new issue experience, however, has shown that there is a vast weight of investment and speculative funds available for stock-market employment.

Last week-end, for example, some £63 million was tied up in three major new offers – the Keith Prowse and Kennedy Leigh share issues and the Birmingham Corporation loan. A major proportion of the money put up for the two first-named offers was, of course, speculative, but the extent even of speculative applications is a pointer to the size of funds poised at any given time ready for stock-market employment.

Having at one time almost reached the January 1960 peak, the equity markets have suffered from some natural profit taking and also from the effect of more emphatic references in company statements to the onset of higher industrial costs and the persistent narrowing of profit margins.

Warnings to that effect have come from capital and consumer goods companies alike and particular attention was paid to the cautious earnings outlook taken by the Lewis's Investment stores group. In the capital end of industry the chairman of Clarke Chapman, referring to a better intake of orders, also referred to the considerable narrowing of margins compared with comparatively recent experience.

## RATES AND PRICES

Closing prices, Tuesday, March 28th, 1961

Tax Reserve Certificates: interest rate (26.11.60) 3%

## Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

## Treasury Bills

Jan. 20	£4 3s 8·22d%	Feb. 24	£4 7s 11·85d%
Jan. 27	£4 3s 3·70d%	Mar. 3	£4 8s 10·41d%
Feb. 3	£4 3s 4·46d%	Mar. 10	£4 9s 9·54d%
Feb. 10	£4 6s 0·56d%	Mar. 17	£4 9s 8·57d%
Feb. 17	£4 7s 7·63d%	Mar. 24	£4 9s 8·46d%

## Money Rates

Day to day	3½–4½%	Bank Bills	
7 days	4½–4½%	2 months	4½–4½%
<i>Fine Trade Bills</i>		3 months	4½–4½%
3 months	5½–6%	4 months	4½–4½%
4 months	5½–6%	6 months	4½–4½%
6 months	5½–6½%		

## Foreign Exchanges

New York	2·79½–80	Frankfurt	11·11½–8
Montreal	2·76½–1½	Milan	1742½–3
Amsterdam	10·05½–06½	Oslo	10·98½–99½
Brussels	139·67½–8	Paris	13·71½–7
Copenhagen	19·32½–2	Zürich	12·09½–2

## Gilt-edged

Consols 4%	63½	Funding 3% 59–69	81½xd
Consols 2½%	42½xd	Savings 3% 60–70	78½
Conversion 5½% 1974	94½	Savings 3% 65–75	71½
Conversion 5% 1971	92½	Savings 2½% 64–67	83½xd
Conversion 3½% 1969	84½	Treasury 5½% 2008–12	90½
Conversion 3½%	55½xd	Treasury 5% 86–89	85½
Exchequer 5½% 1966	99½	Treasury 3½% 77–80	72½
Funding 5½% 82–84	95½	Treasury 3½% 79–81	70½
Funding 4% 60–90	87½xd	Treasury 2½%	40½xd
Funding 3½% 99–04	62½	Victory 4%	95½
Funding 3% 66–68	82½	War Loan 3½%	57½

## Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

## Butler v. Butler

In the Court of Appeal – February 13th, 1961  
(Before Lord Justice HOLROYD PEARCE, Lord Justice HARMAN and Lord Justice DAVIES)

*Income tax – Divorce – Maintenance – Annual sum less tax – Wife owing debt to husband – Debt to be set off by instalments against maintenance – Whether gross or net maintenance applicable – Married Women's Property Act, 1882, Section 17 – Income Tax Act, 1952, Sections 169, 221 – Debtors Act (Matrimonial Causes) Jurisdiction Order, 1932.*

In 1955 proceedings brought by a wife under Section 17 of the Married Women's Property Act, 1882, and concerning a house, were stayed by a master's order that the wife should buy the house

from the husband for £610. She was to pay the husband £150 within twenty-eight days, and the balance of £460 was 'to be set off by instalments not exceeding such amount as may be agreed or awarded (to the wife) by way of alimony and/or maintenance'. The wife paid the £150 within the twenty-eight days, and later she obtained a divorce and an order for maintenance at the rate of £200 a year less tax. The husband gave the wife tax deduction certificates for £85 each year, and credited her with £115 a year against the debt of £460.

In 1960 the wife claimed arrears of maintenance from the husband, and she contended that the amount to be set off every year against her debt was £200, and that she had thus discharged the debt. The husband contended that the amount to be credited to her each year was £115.

*Held* (reversing the judgment of Mr Justice Collingwood): the amount awarded to the wife by the master's order was the amount the husband would have to pay in cash each year to the wife; that pursuant to Section 169 of the Income Tax Act, 1952, that amount was £115; and that accordingly the wife could set only this sum against her debt each year.

# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## The Small Practitioner and Registration

SIR, - The comments made by Mr C. R. Shakespear (March 18th issue) are, of course, absolutely true. A satisfactory form of registration is becoming increasingly difficult as a result of the growth of various other bodies, the members of which would undoubtedly have to be considered in any scheme; and this difficulty is likely to increase in the future.

The position is further aggravated by the intransigence of the Institute in dealing with the question on a factual basis. It is well known (at least, in the provinces), that any person who holds himself out as a practising accountant is invariably regarded by the general public as a 'chartered accountant'. The designation is undoubtedly sacrosanct to the Council of the Institute, but the unqualified practitioner frequently gains as a result of the inability of the general public to regard the term 'chartered accountant' as other than a generic term designating all practising accountants. Indeed, in a recent advertisement for staff by a well-known public company, applications were invited from 'qualified chartered accountants'.

At the same time, the projected issue of practising certificates by The Association of Certified and Corporate Accountants will probably lead to further recruitment by the minority bodies. It may seem logical to insist that no one should be allowed to practise unless he has served in the office of a public accountant, but can it be seriously suggested that an accountant who has been in commerce for, say, twenty-five years since qualifying, is more competent to practise than a recently qualified man, whether in commerce or not?

As stated above, any form of registration must, of necessity, admit the present unqualified practitioners. If the 1945 Public Accountants' Bill had become law, there would be very few unqualified practitioners left at the present moment. If some form of registration is introduced now, the competent unqualified practitioner (and there is a small number of such men who are highly competent) will remain in business. The less competent of such men will, however, gradually disappear with the passage of time.

It is pointless for the profession to ignore the fact that there is a very large number of unqualified practitioners of varying degrees of competence and incompetence. Indeed, in many areas the numbers of such men outweigh the qualified practitioners by

three or four to one, and their existence constitutes a very real problem to those of us who are required to observe high professional standards. Amalgamation of the senior bodies will not solve the problem since, on each amalgamation, the next body in seniority automatically moves up one place.

We have seen it stated on numerous occasions that registration is impossible, as no comprehensive definition of a public accountant's duties can be made. We would like to remind you, Sir, that there is no definition of a solicitor's duties. The Solicitors' Act restricts to qualified solicitors only a very small section of the work carried out by solicitors, but as it is the most important part of a solicitor's work, the unqualified legal adviser in England is almost unknown, although a number still exist in Scotland. Surely, the answer to this problem is that all private limited company audits should be in the hands of qualified men, together with the lodging and conduct of appeals with the Inland Revenue. In this connection, it may be mentioned that the wording of Section 52 (4), Income Tax Act, 1952 is completely ineffectual. The audit of trust accounts should be included. If any business man wishes to employ an unqualified accountant, he should be required to lodge his own appeal and countersign the certificate to the accounts. It is impractical and probably undesirable, however, that the practising book-keeper should be prevented from conducting his business.

It seems to us that the main object of registration is that the general public should be made to realize that the value of a certificate attached to accounts is dependent upon the competence of the man signing the accounts. With the multiplicity of descriptions and letters used after names, even the term 'chartered accountant' has become too vague to be of any value. Indeed, it is to the personal knowledge of the writers that some keen gardeners practise as accountants using the designation F.R.H.S. as part of their business qualifications.

Yours faithfully,

J. E. LL. GRIFFITH, F.C.A., A.C.I.S.,  
A. J. RAMAGE-GIBSON, A.A.C.C.A.

Maidenhead, Berks.

## A Flaw in the Jewel?

SIR, - In their articles on the inadequacy of double entry as a means of showing the provision for the replacement of fixed assets, both Mr T. E. Gambling (February 11th issue) and Mr A. R. Mutton (March 25th issue) fail to place the problem in its correct category. The provision for the replacement of fixed assets during inflation in fact raises the whole question as to the proper manner of treating funds, reserves, or provisions in the balance sheet. Those of us who have been concerned with the preparation or audit of the accounts of charities and grant-spending organizations will know that one of the questions invariably asked is: What has happened to the fund?

It must at once be admitted that conventionally

prepared balance sheets do not show at all what has happened to funds. The sooner members of the accountancy profession recognize this deficiency the better. Authorities who make grants to an organization naturally want to know not only the amount of the fund in the organization's balance sheet but also how the fund has been applied whether in the purchase of fixed assets, in current expenditure, or whether in fact the fund has not been spent or is not likely to be spent. Such valuable information will not automatically be shown in a conventionally prepared balance sheet. The required information can, of course, be shown by a note, but such is the importance of the information showing how funds have been applied, that a strong case can be made for a more formal method of presentation. One possible method of presentation is to show the assets not in order of liquidity but arranged according to the funds to which the assets correspond.

The best solution is that of showing balance sheets in the form not of double entry but of triple entry. The left-hand entry should show capital, debentures, reserves and other funds; the middle entry should show the assets corresponding to the particular funds; the right-hand entry should show the assets in order of liquidity. This trilateral balance sheet is the answer for which the critics of double entry are searching.

*It ought to be a cardinal principle of company law that revenue reserves shall correspond neither with fixed assets nor with current assets earmarked for the purchase of fixed assets.* A trilateral balance sheet will reveal whether this principle is being observed and will enable provision to be made not only for the replacement of fixed assets at higher prices but also for the purchase of additional fixed assets.

Yours faithfully,  
P. L. GRIFFITHS.

London, W1.

### Chartered and Incorporated Accountants

SIR, - As an incorporated accountant I should like to make known my alarm at the views expressed in the final paragraph of Mr Greaves's letter published in your issue of March 18th.

If it is indeed the policy of the Council of The Institute of Chartered Accountants in England and Wales to allow the effluxion of time to deal with the problem, I think that the sooner this is stated categorically by the Council the better. As I am in my early forties I suspect that I am in the younger age groups of incorporated accountants and therefore stand a good chance of being an (apparently) inferior member of the Institute for a long period. Frankly, I do not find this prospect very inviting.

My impression is that this question is embarrassing to chartered accountants and this probably gives rise to the looks which Mr Greaves describes in his letter. I cannot believe that it is the Council's intention to let this problem settle itself and I hope an early opportunity will be taken to remove the causes of this embarrassment and to place all members on an equal footing.

Yours faithfully,  
E. D. B. TODD, F.S.A.A.

Harrogate.

### Coal Merchant's Business

SIR, - A client of ours has a retail coal business with an annual turnover in the region of £25,000 to £30,000 per annum. We should be interested to learn from other practitioners with similar clients, the following:

- (a) Rate of gross profit to be expected.
- (b) Rate of wages in relation to turnover.

In connection with the above information it would be helpful to know whether supplies are purchased direct from the Coal Board or through factors, and whether outside hauliers are engaged on deliveries.

Yours faithfully,  
CONCERNED.

## TH'AUDIT

Being unable to attend the recent annual meeting of the Lancashire Authors' Association - 'for writers and lovers of Lancashire literature and history' - one of the honorary auditors sent the following auditors' report which was duly read, in dialect, by the general secretary.

Neaw once ev'ry year, th'audit teks place,  
An' 'im uz owds't brass two blokes ez ta face.  
Who've bin saddled wi't job o' laikin abeawt,  
Wi' figures on't cash ut's come in an' gone eawt.  
Ta see if th'owd blighter uz kept 'is books straight,  
An' find if wot's entered's bin totted up reight.  
'E mon coff up all't vouchers an' bills ut con show  
Wot 'is perishin' auditors booath want ta know.

Wot subs ev bin paid, wot brass uz bin spent,  
On postages, letters an' records ut's sent  
All o'er t'Ceawnty to members an' such  
Uz wi' all't gooins on a' kept close in touch  
Wot's paid eawt fer meetin's, wot's drawn in fir t'feed  
An' cup competition expenses - indeed.

Two nosey-parkers miss nowt ut's gone on,  
An' wain't sign ther names till't reight balance is fon.

Neaw Ted Poole an' me thowt job were a gift,  
Uz booath sides o't ledger wey fingered and sniffed,  
Fer owt uz might faintly resemble a fake;  
But blimey, ther wernt e'evna delib'rate mistake.  
An' summin' things up, beawt scrattin' me 'ed,  
Ther's nowt ta fratch o'er wey're weel eaut o't red;  
An' flippant o' not, ah feel beawnd ta say,  
Uz't treasurer's wife meks a grand cup o' tay.

A last word on't books, afooar ah pipe deawn,  
Thur weel kept an' quite safe in't th'ands o' Joe  
Breawn.  
T. W. S.

# Reviews

## The Elements of Income Tax Law

*Fourth edition*, by C. N. BEATTIE, LL.B., Barrister-at-law. (Stevens & Sons Ltd, London. 30s net.)

This is a book for law students, in particular students proposing to become solicitors. It therefore has a somewhat different approach from that of books for accountancy students. A knowledge of general law is assumed, and arithmetical examples are not given. On the other hand, the book adopts a highly practical approach to the subject with a view to ensuring that the student who is familiar with it will be able to keep in mind the income tax implications of the various transactions (drafting of wills, divorce, trusts, etc.) on which solicitors commonly advise. There is, for example, a very lucid exposition, in outline, of the various legislative provisions directed against 'settlements' in the wide sense which the Income Tax Acts give to that word. The author has taken a great deal of trouble with the topic of annual payments, always a puzzling subject to students, not to mention practitioners, whether in the law or in accountancy.

## Palmer's Company Precedents

*Seventeenth edition*, Part 2: Winding-up Forms and Practice, by R. A. K. WRIGHT and R. BUCHANAN-DUNLOP, Barristers-at-law. (Stevens & Sons Ltd, London. £7 7s net.)

Although companies have 'perpetual succession', a remarkably large number of them come to a premature end, and their demise is governed by a mass of law and practice of extreme complexity with all kinds of traps for the unwary. The previous second volume of *Palmer* dealt not only with liquidations but also with arrangements, reconstructions and amalgamations. The present volume confines itself to winding up, and therefore is of more manageable size. Moreover, the removal of the other matter to Volume 3 will enable the editors to deal more extensively with the variety of tax problems which accompany reconstructions and the like; at least this seems to be implied in the preface, which refers to 'the need to cover the fiscal aspect, which is important in every reconstruction'.

It is, of course, difficult to say how far a book of this nature should penetrate into the obscure regions of tax. The present volume eschews any mention of the effect of liquidation on income tax liability. It duly sets out the statutory exemption from certain minor stamp duties but makes no mention of the fact that conveyances by the liquidator to contributories as such are stamped 10s only, which we should have

thought was a more important matter. No doubt these topics will be dealt with in Volume 3.

However, this is a book on winding up as such and in its own domain it could hardly be bettered. Each chapter begins by reproducing the legislation which it discusses, thus saving the reader from having to refer to the Act as well. It would be a bold man who ventured to disagree with anything in the text, the print is clear and the binding is both stout and handsome. Our appetite for Volume 3 has been well and truly whetted.

## The Agricultural Landowner's Handbook on Taxation

*Ninth edition*, Part II, revised by F. G. HOLLAND, Solicitor. (Country Landowners' Association, London. 15s 6d (members); 21s net (non-members)).

In 1955 it was decided to issue this well-known handbook in two parts: Part I containing the tax law liable to frequent change (income tax and estate duty); Part II dealing with rating, tithe, land tax, stamp duties and national insurance. The present issue of Part II is, in fact, the first, and it brings the handbook up to date from 1949.

Chapter 1 gives a very clear exposition as to rating and contains a large number of judicial precedents culled from the most varied sources. Chapter 2 is prefaced by an interesting historical review of tithe and goes on to deal with the present position. After a brief review of land tax, there is a chapter on stamp and licence duties and finally there is a long chapter on national insurance and social services. For accountants concerned with rural matters this is an invaluable book.

## We the Undersigned: A History of the Royal London Mutual Insurance Society Ltd and its Times. 1861-1961.

by W. GORE ALLEN. (Newman Neame Ltd, London. 21s net.)

An interesting feature of the spate of industrial and commercial histories of recent years, is the differing treatment of what are not dissimilar stories. Some are substantial and even turgid pieces of research; others are written to give a mere sketch of principal events and personalities. This history of the Royal London Mutual is much closer to the latter than to the former. It is agreeable to read and pleasantly informative about the major events and leading personalities which have formed and sustained this industrial insurance office over the past century. It is well-illustrated and handsomely produced.

## SHORTER NOTICE

PENSIONS SCHEME AND RETIREMENT BENEFITS, by Gordon A. Hosking, F.I.A., A.T.I.I., F.S.S., F.I.S. First supplement to second edition. Sweet & Maxwell Ltd, London. 5s post free. This supplement deals with

he provisions of the National Insurance Act, 1959, relating to the assessment and collection of contributions, as well as the rights and obligations of employers and employees under the Act.

#### RECENT PUBLICATIONS

**SPICER & PEGLER'S INCOME TAX AND PROFITS TAX**, Twenty-fourth edition, by H. A. R. J. Wilson, F.C.A. xliii+683 pp. 9×6. 30s net. H.F.L. (Publishers) Ltd, London.

**DIRECTORY OF OPPORTUNITIES FOR SCHOOL LEAVERS 1961**, with a preface by The Rt. Hon. The Lord James of Rusholme. 288 pp. 9×6. 8s 6d net. Cornmarket Press Ltd, London.

**STOCK EXCHANGE TRANSACTIONS, Income, Taxation, Documentation and Audit**, by Colin A. Perry, A.A.C.C.A., F.C.C.S., F.S.S., with a foreword by Eric Fletcher, LL.D., M.P. xv+125 pp. 9×6. 20s net. Sir Isaac Pitman & Sons Ltd, London.

**THE QUANTUM OF DAMAGES**, Second edition, by David A. McL. Kemp, B.A.(Cantab.), Margaret Sylvia Kemp, M.A.(Cantab.), and C. J. C. McOustra, M.A.(Cantab.), Volume 1, Personal Injury Claims. xxxv+743 pp. 9×6. £3 3s net. Sweet & Maxwell Ltd, London.

**LAW OF BANKING**, Fourth edition, by Lord Chorley, M.A., assisted by J. Milnes Holden, PH.D., LL.B., A.I.B. xxviii+319 pp. 9×6. 35s net. Sir Isaac Pitman & Sons Ltd, London.

## THE INSTITUTE OF COST AND WORKS ACCOUNTANTS MIDLAND REGIONAL COST CONFERENCE

The Minister of Health, the Rt. Hon. J. Enoch Powell, P.C., M.P., was principal guest at the lunch in connection with the Midland Regional Conference of The Institute of Cost and Works Accountants at Wolverhampton last Saturday.

Proposing the toast of 'The Institute', the Minister, who is Member of Parliament for Wolverhampton, SW, said he was very happy at the 'first of your regional conferences in Wolverhampton to be able to pay tribute to the work of your profession in at least two capacities'. First, he said, as a representative of one of the constituencies in that industrial area, so many of whose firms' efforts in the home markets and abroad are helped and strengthened by the work of cost accountants and those they train.

Secondly, in a more personal capacity as "managing director" of a very large firm indeed'. He went on:

'I am not managing director in the ordinary sense of the term; I have no contract of service or superannuation scheme, no expenses allowance, and only a relatively modest salary. Although we spend a great deal of money, we are not expected to show a profit, or even a loss at the year's end.

'There is a very real sense in which anyone responsible, however temporary, for the National Health Service, ought to have a great respect for your profession and what it has to contribute.

#### £900 million a Year

'It is, after all, a "firm" which spends something like £900 million a year, and whatever controversy there may be about some of the sources from which our £900 million is derived, on this I think there is no difference of opinion at all: from that £900 million we want to get the very best return by way of value of services rendered.

'Therefore, we cannot do other than apply the principles of cost accountancy which you uphold. It is because the function of the undertaking is to provide essential services that it is not brought to the touchstone of a profit and loss account. Without the principles of management and accountancy it would be impossible to know whether one is getting value for money - whether one is applying the resources available in the manner most in the interests of the consumer. I would say that as Minister of Health, it is my anxiety and my determination to apply the most rigorous principles of accountancy throughout this great service, to that great task of assuring that we, year by year, come nearer and nearer to that ultimate idea of getting the fullest return for that outlay.'

The Minister continued:

'It is not merely in accountancy and cost accountancy that a Minister of Health has a peculiar concern. Our largest subsidiary is the hospital services, upon which more than half this vast total is spent. The National Health Service represents the welding together of hundreds of small undertakings which were grouped together in one organization by a great take-over bid in 1948.

#### Unified System

'As is customary with small undertakings - undertakings which have been run locally, run almost as family concerns - many of these were so close to the work they were doing, they did not need techniques of which you are masters. It was an enormous task to work out a unified system of accounting and costing to enable the great new organization to function as a whole efficiently.

'Immense work has been devoted to the accumulation of a vast quantity of statistics and unit costs in the hospital service, collecting and producing them in an assimilable form which represented the picture in which it operates. They are a sure guide for policy and action.

'As you know perfectly well, it is only in terms of a budget that effect and action can be given to your skill and the results of your work. We can only say that accountancy is providing a guide; costing is only laying down a guide for action. More and more urgently, the Hospital Service must learn to use accounting as an instrument of ever closer budgetary control.'

The toast was responded to by Mr W. S. Risk, B.COM., C.A., F.C.W.A., President of the Institute.

#### Management Accountancy

In the course of his reply the President said:

'Much is being said about what is termed "management accountancy" - a phrase which emerged in the late forties and came into prominence in 1952 after the visit of a team of accountants to the United States to examine industrial accountancy techniques there, and whose report aroused so much interest in the profession and in industry.

'That team was headed by one of our members, a friend and former partner of mine, Ian Morrow, and the secretary was our Institute's former secretary, Stanley Berger.

'In discussing this term it should be borne in mind that although the term itself is relatively new, the techniques which it represented are those on the need for which this

Institute was founded in 1919 and which it has been using and developing ever since.'

Commenting that an Institute or a business grows or deserves to grow in proportion to the value of the service or goods which it supplies to its clients or customers, Mr Risk went on:

'It is therefore satisfactory to record the fact that the membership of the Institute is now almost 7,000 and that we have some 17,000 registered students.

'What is particularly gratifying is that the growth has been at an accelerating rate. In 1940, our membership was only about 1,200 and therefore the greatest rate of growth has taken place in the last twenty years.

'There is indication, therefore, that the demands of industry for our services have increased in great measure and that we have not been altogether unsuccessful in meeting them.'

'Perhaps one of the reasons for this success is the fact that our members, before they receive our qualification, must have had not less than three years' practical experience in industry for our Associateship and five years in industry

in a responsible position to qualify for our Fellowship. 'Like our fellow institutes we serve our apprenticeship, but it takes place in industry itself in the atmosphere in which we eventually operate.'

### A Number of 'Firsts'

Proposing the toast of 'The County Borough of Wolverhampton', Mr S. J. Careless, F.C.A., F.C.W.A., a member of the Council of the Institute, said there were a number of 'firsts' about the occasion. This was the first regional conference of the Institute to be held in Wolverhampton. They were honoured by the presence of the town's first citizen. It was also the first regional conference to be sponsored by the Wolverhampton branch, and as the first President of the Branch he had the opportunity, in the unfortunate absence of the present Branch President, of proposing the toast.

The Mayor of Wolverhampton, Alderman Harold Mash, responded.

## Conference Papers

### Budgetary Control

Mr J. E. Smith, A.C.W.A., of Standard-Triumph International Ltd, addressed the morning session of the conference on 'Budgetary control in a medium-size business'. Mr Smith described a medium-size business as an organization employing from 400 to 1,400 work people, and defined 'budgetary control' as a technique of management which planned and co-ordinated all the functions of the business towards the objective of maximum profitability, and exercised control to ensure that actual business operations conformed as closely as possible to the plans.

He deliberately used the term 'technique of management' because there were three facets to the technique: the exercise of organizing, planning and 'thinking' one's budgets; the integration of budgets, the paper work of income, expenditure and performance recording, and the preparation and presentation of control data; the exercising of control, and the taking of action made obvious by the control data.

The use of budgetary control, and in particular the exercise of budgeting, could very greatly help in co-ordinating the efforts of the managers in a business. The co-ordination could be achieved informally by the team work and co-operative effort which was needed to achieve budgets, but it often required the more formal procedure of an organized budget committee. From the accountant's point of view, he said, the budget committee was of great advantage in the medium-size business, for it gave him an opportunity to have regular and close contact with the executives and managers who had the responsibility for achieving control of performance and cost, and he learned much more intimately the problems of the managers, while they acquired a better idea of the overall purpose, the problems of others, the difficulties they themselves created and the financial aspects of the business. He emphasized that this committee work was vital to the proper sharing of financial control information, which itself was essential to the creation of the proper interest by executives and managers in the activities of their committee.

Mr Smith decried the outlook that budgets were only really necessary in the case of large and complex enterprises because they meant elaborate routines and paper

work and implied the substitution of routines for judgment. These were all misconceptions, he said, because budgets were in fact merely the application of a technique of recording and comparing without which all management judgments and decisions were based only on hunches and impressions, not on facts.

For budgets to be of maximum value, it was essential for management to keep itself informed of changing conditions, both within the business and outside. There was, he felt, an unsatisfactory tendency for management and the accountant to rest on their laurels after a twelve month period budget had been drawn up. On the other hand, the introduction of budgets and budgetary control was a long-term job and good control could not be implemented immediately. In fact the gradual approach was invariably the best.

It was conceded by all accountants, said Mr Smith, that budgetary control implied the use of revenue and expense budgets, and that for the procedure to be complete, certain 'financial' budgets were also required. Yet, for a reason unknown to the speaker, many accountants would not hear of a budget balance sheet.

Posing the question 'What is a budget balance sheet?' Mr Smith said:

'It is a balance sheet which serves to show what variations in assets and liabilities are expected as a result of the sales and production which are budgeted. Most of the variations, such as in stocks, debtors, creditors, cash, are as a direct result of the budgeted trading, but others, such as appropriations to reserve, are matters of policy.

'I would think that a minimum requirement is to prepare a budget balance sheet for the end of the full budget period. During the currency of the budgets, actual balance sheets can be prepared and compared each control period - say four weeks - with the budget balance sheet, in order that the trend towards the budget balance sheet can be observed and necessary action taken. Even better, of course, is that a budget balance sheet can be prepared for the shorter control period, but this is a later exercise.

'It seems to me that this is a way for the medium-size business to achieve the knowledge and control of its liquidity position which would otherwise be denied to it.'

Referring to integration of systems, Mr Smith said that the medium-size business could not afford two or three accounting systems, but must have one. This necessitated a commonsense fusion of cost accounts analysis, financial accounts analysis and budget

analysis, culminating in one set of accounts and one profit figure.

A careful study of accounts classification and coding was obviously required, for once a business grew past the 'small' stage, the organization could become complicated; there could be many cost centres, several centres of budget responsibility, and a need could arise for a considerable analysis of income and expenditure for accounting purposes. It was the accountant's part to devise classifications which were simple, economical of clerical effort and not unwieldy.

### Effect on Costs of Policy and Management Decisions

At the afternoon session, Mr G. Hanby, F.C.A., F.C.W.A., of Bristol Aerojet Ltd, spoke on 'The effect on costs of policy and management decisions'.

The problems inherent in policy making, said Mr Hanby, were not eased by the fact that, in present-day circumstances, costs increasingly tended towards being fixed, or largely so, within a wider range of output than might have been the case thirty years ago. He described factors which had contributed to this trend as advances in technology applied to project design - leading to heavier outlay on research, etc; a general tendency to larger operating units and higher volume production; a parallel tendency to more complex management organizations, and the decreasing flexibility of direct labour forces.

Referring to the introduction of a new project by a company, Mr Hanby stated that the likely form of the product must be decided in as much detail as possible, as early as possible; the size of the market must be estimated; the selling price decided upon, and the big question of production volume and rate answered.

With regard to the latter, the considerations were many and varied, dependent upon the complexity of the product and the results of the market research. It

was necessary for the board to decide what time was to be permitted for such pre-production activities as development, material provisioning, plant reorganization and tooling. As a general rule in the field of design and development, time was almost synonymous with cash outlay. Thus it was important for the board to seek to minimize the number of months (or even years) which can be devoted to design and development in order to minimize the pre-production cost burden.

On the other hand, if insufficient time were allocated to the necessary pre-production period, heavy cost penalties would follow. In this area, whilst excess time might lead to loss of interest on capital being invested, insufficient time allowed might lead to costly and even disastrous improvisations. The requisite production facilities would therefore all need examination, involving considerations of the availability of buildings and/or land, plant, tooling, and ancillary services, and last, but by no means least, the organization and labour force - both staff and operatives.

Mr Hanby emphasized the danger when introducing a new project of failing to safeguard existing business. Any underestimation of the effects on the existing organization might lead to dislocation of production. The effects on current production might be caused by:

- (i) inadequate appreciation of the physical disturbance of production facilities arising from the installation and/or re-arrangement of plant consequent on the introduction of the new project; and
- (ii) a failure to devote sufficient attention to day-to-day management on the existing products, because all levels of management were devoting all their attention to the 'priorities' caused by the new project.

The more intimate the accountant's acquaintance with the project from the outset, concluded Mr Hanby, the more intelligently he could report to management during its conception and the earlier could he advise his colleagues should the cost evidence show that the plan was not being achieved.



At the conference lunch, the Minister of Health, the Rt. Hon. J. Enoch Powell, P.C., M.P. (left), with Mr W. S. Risk, B.COM., C.A., F.C.W.A., President of the Institute.



# PRESIDENT ANSWERS INSTITUTE'S CRITICS

## East Anglian Society's Dinner at Cambridge

It was time that members who criticized The Institute of Chartered Accountants in England and Wales should instead take a greater interest in the Institute's work by taking part in district society affairs and the work of the Taxation and Research Committee or offer concrete proposals on the practical steps to be taken to improve the profession, said the President, Mr S. John Pears, F.C.A., at the annual dinner of the East Anglian Society of Chartered Accountants held in Cambridge last week.

In replying to the toast of 'The Institute', Mr Pears touched on several matters on which it had been criticized recently. It had been said that the Institute did not look after small firms of accountants and did not support the principle that all accountants should be registered with the object of eliminating or controlling the activities of the unqualified man. But when one inspected the proposal to discover how it should be put into effect, said Mr Pears, it was not easy to see how this could be done; registration would, in his opinion, for a long time to come add to the difficulties, not relieve them. Moreover, the practical difficulties of achieving it were under present conditions too great. He suggested that those who thought otherwise should state exactly how it could be achieved.

### Advantages of Partnership

This did not mean that the Institute was not interested and concerned about the smaller firms. The Institute had done and would continue to do all it could to assist the small practitioners. At the same time he thought that members in sole practice should seriously consider whether it was not in their own interests and those of their clients to enter partnership.

The Institute would continue to advocate to the Inland Revenue, said Mr Pears, that they should encourage work being dealt with by qualified accountants and be not open to the criticism that when qualified accountants were appointed, the Inspector's queries became more numerous presumably because he thought he could obtain more satisfactory answers. On this point Mr Pears considered the Inland Revenue was treating the profession unfairly. Both the Institute and The Association of Certified and Corporate Accountants, said the President, had recommended in their submissions to the Jenkins Committee that, as with those of public companies, the accounts of private companies should be audited by 'recognized' accountants.

Critics had also claimed that the Institute did not advertise itself enough. As regards local advertising the districts had been consulted and were not in its favour. On this score, Mr Pears said that a new public relations committee within its organization was working on the problem of bringing the services of the chartered accountant to the public notice.

On the subject of fees, Mr Pears said that 'official' scales would never offer a complete answer. It was up to the individual accountant to arrange them for him-

self having confidence in the value of his work. 'You cannot compete in this question of fees with the unqualified man', he said, 'but you can compete successfully with him in quality.'

It was the duty of every accountant, he said, to encourage enterprise and when an accountant audited a firm's books it was up to him to endeavour to provide 'at least one good idea a year' for the improvement of that firm.

### Practical Service Envisaged

Mr Pears concluded by saying that the Institute was considering a proposal which had been made by a member to give a 'practical service'. The Institute, he said, was taking this point very seriously and was trying to ascertain whether this was a real need and if so to find a method of putting a satisfactory service into operation. 'I personally feel it would be a worth-while experiment' he said.

The toast to the Institute was proposed by Professor Sir Alexander Todd, M.A., F.R.S., who said that though he admired the Institute for the work it and its members were doing, he did not think a quotation he had read that 'chartered accountancy has become a stepping-stone to management', to be quite true. The profession has done, is doing, and will do a great deal for the industry of this country; nevertheless the field of management was outside any profession.

Accountancy, he said, seemed to have become almost a fetish. But he did not think it was that profession alone which would put British industry on its feet, because however well financial policies were directed, there was a need for technical innovation.

Sir Alexander said he was impressed by the Institute's efforts to encourage university entrants to the profession. He considered a university education followed by the normal period of articles would produce a 'better type of person'.

He had also been impressed by the grip which the Institute had on the profession and said that accountants were fortunate to have such a body to belong to.

The toast of 'The Guests' was proposed by the Vice-President of the East Anglian Society, Mr E. A. Bland, D.S.O., F.C.A. Among the guests were the Vice-Chancellor of Cambridge University, Professor Herbert Butterfield, M.A.; The Mayor of Cambridge, Councillor C. A. Mole, J.P., with representatives of the Inland Revenue, the legal profession, education and local government, and nine presidents of other district societies.

Dr P. Dunsheath, C.B.E., D.SC.(ENG.), LL.D., who replied to the toast, said that British accountants were held in high esteem throughout the world for their high standard of integrity and precision.

A vote of thanks and a toast to the Society's President, Mr A. N. Myers, F.C.A., was proposed by the Immediate Past President, Mr C. H. Sutton, F.C.A. In reply, Mr Myers paid tribute to Mr H. Robinson, F.C.A., who had been secretary of the Society for the past fifteen years.

## LONDON STUDENTS' COLUMN

### News from the London Chartered Accountant Students' Committee

#### Annual General Meeting

The 1961 annual general meeting will be held at the Chartered Insurance Institute in Aldermanbury on April 24th, at 5.30 p.m. Students are urged to attend in order to take the opportunity of having a say in the Society's affairs and in the election of committee members who will be responsible for conducting its activities during the coming year. There will be eight vacancies on the committee, and these will be filled from the retiring committee members and any other nominations made by members of the Society.

#### Spring Session

Attendances at the Monday evening general lectures have fallen rather sharply at the beginning of the second half of the session. This is especially disappointing in view of the fact that a half-session programme had been circulated. The issue of the programme in two parts was introduced so that students might be reminded about lectures which had been announced two months previously. It was noticeable, prior to this innovation, that attendances declined as the session neared its close.

#### Library

The library subcommittee was asked recently to consider whether the services given by the library are as efficient as they might be in enabling students to borrow the books required for their training. The main committee is now considering the subcommittee's recommendations.

#### Social Clubs

The 59 Club has played rugby against the Taverners and held a dinner. The Taverners also had their monthly meeting and are proposing to arrange a week-end visit to a provincial Students' Society. The Lindsay Group held a general meeting.

#### Sports

Reported results show that the squash team has been unable to maintain its successful run and lost 5-0 against Lloyds and by the same score against the Old Harrovians. The hockey team was beaten by Birmingham Students 8-1, the rugby team won its match with Dublin Students 13-11, and the badminton team was defeated by Regent Street Polytechnic 5-4, but beat King's College 8-1.

## Notes and Notices

### PROFESSIONAL NOTICES

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND announce that as from April 1st, 1961, they have taken into partnership in London Mr DONALD RICHARD CHILVERS, A.C.A.

MESSRS GREENSLADE & Co, Chartered Accountants of 297/302 Dashwood House, Old Broad Street, London, EC2, announce that Mr M. H. GREENSLADE, B.Sc.(ECON), A.C.A., having been offered a post in industry, has retired from partnership in the practice, which will be continued by Mr ROBERT S. WALDRON, F.C.A., and Mr R. G. CHANDLER, D.F.C., A.C.A., who have been joined by Mr EDWARD BOSTOCK, M.A., F.C.A. Mr BOSTOCK is a partner in MESSRS ANNAN, DEXTER & Co of London, and in MESSRS ANNAN, IMPEY, MORRISH & Co of London, Birmingham, Leicester, Liverpool, Manchester, Nottingham and Oxford, with which firm GREENSLADE & Co is associated. Mr M. H. GREENSLADE will remain available for consultation by appointment.

MESSRS JENKS PERCIVAL, PIDGEON & Co, Chartered Accountants, of 14 Finsbury Circus, London, EC2, announce that Mr M. G. L. BAILEY, F.C.A., and Mr C. WALKDEN, A.C.A., who have been members of their staff for several years, will be admitted into the partnership on April 6th, 1961. At the same time the name of the firm will be shortened to JENKS PERCIVAL & Co.

MESSRS THOMSON McLINTOCK & Co, Chartered Accountants, of 33 King William Street, London, EC4, announce that Mr A. M. C. MORISON, C.A., who has

been a member of their staff for some years, is being admitted into partnership as from April 1st, 1961.

MESSRS THOMSON McLINTOCK & Co, Chartered Accountants, of 33 King William Street, London, EC4, and 5 St Philip's Place, Birmingham, 3, announce that Mr R. E. HERINGTON, F.C.A., retired from partnership in the Birmingham office on March 31st, 1961.

MESSRS THOMSON McLINTOCK & Co, Chartered Accountants, of 216 West George Street, Glasgow, C2, announce that Mr D. M. DUNCAN, C.A., retired from the partnership on March 31st, 1961.

MESSRS DELOITTE, PLENDER, GRIFFITHS & Co, Chartered Accountants, of 5 London Wall Buildings, Finsbury Circus, London, EC2, announce that as from April 1st, 1961, they have admitted into their London partnership Mr ROBERT W. BRAZIER, F.C.A., a senior member of the firm's staff for some years. They also announce that as from the same date they have admitted into the South Wales partnership Mr MELVYN W. ROSSER, F.C.A., a senior member of the Swansea office staff.

MESSRS A. HORNBY & Co, Chartered Accountants, of Norfolk House, Laurence Pountney Hill, London, EC4, announce that Mr A. HORNBY, F.C.A., retired from the partnership on March 31st. Mr HORNBY retains certain personal appointments, including directorships, and is also available to the firm in a consultative capacity. The practice will be continued by the remaining partners with the addition of Mr D. V. HINKLEY, A.C.A., the firm's name and address being unchanged.

MESSRS BEN LEVY & Co, Chartered Accountants, of Kenton, Middx., announce they have now opened their London offices at 16 Curzon Street, Mayfair, London, W1.

MESSRS HOWARD HEATON AND BENDALL, Chartered Accountants, of Birmingham, Wolverhampton and Worcester announce that they have acquired the Kidderminster practice formerly carried on by Messrs A. B. PLEVEY & Co, Chartered Accountants, 8A Worcester Street, Kidderminster, and from April 5th, they will be in business at that address.

MESSRS TOUCHE, ROSS, BAILEY & SMART, Chartered Accountants, of London, announce that they have admitted to partnership as from April 1st, 1961, Mr A. G. CAMPBELL, C.A., who has been with the firm for a number of years.

The partners of Messrs WHINNEY, MURRAY & Co, Middle East, announce, with much personal regret, the retirement as at March 31st, 1961, of Mr ERIC F. MADAMS, C.B.E., who has been with the firm since 1934 and who has been senior partner since 1952.

### Appointments

Mr John Frost, F.C.A., secretary of Royal Crown Derby Porcelain Co Ltd, has been appointed a director of the company.

Mr T. I. F. Tod, A.C.A., has been appointed a director of The Lancashire Cotton Corporation Ltd.

Mr A. Barrowman, B.L., B.COM., C.A., has been appointed an additional director of Vitbe Flour Mills Ltd.

Sir Archibald Forbes, G.B.E., C.A., is to join the board of The Finance Corporation for Industry as from April 1st.

Mr C. St C. Proctor, F.C.A., has been appointed financial director of S. Smith & Sons (England) Ltd.

Mr D. A. Roxburgh, F.C.A., has been appointed a director of Dorothy Perkins Ltd.

Mr A. G. Mobsby, F.C.A., secretary of Balfour, Williamson & Co Ltd, has been appointed a director of the company and continues as secretary.

### IN PARLIAMENT

#### Decimal Currency

Mr LANGFORD-HOLT asked the Chancellor of the Exchequer by what means he is testing public opinion on its attitude to decimal currency during the full consideration of this matter by Her Majesty's Government.

Mr BARBER: There are welcome signs of growing interest in this question and I think that public opinion is beginning to reveal itself without any intervention by the Government.

Mr LANGFORD-HOLT: The more delay there is in deciding this question the more costly it becomes. When do the Government intend to make a decision, whichever way it goes, and act upon it?

Mr BARBER: As I said a few weeks ago, my right

hon. and learned friend hopes to make a statement early in the year.

*Hansard*, March 23rd, 1961. Oral Answers. Col. 571.

### Money Deposits

Mr DU CANN asked the President of the Board of Trade if he will make a further statement about Her Majesty's Government's proposals for regulating the solicitation of money deposits by companies from members of the public by advertisement and circulars.

Mr LEATHER asked the President of the Board of Trade whether he is yet in a position to make a statement regarding the control of companies soliciting money from the public without security.

Mr REGINALD MAUDLING: Work on a Bill for the regulation of companies which invite deposits from the public is proceeding and it may be possible to introduce it later this session.

*Hansard*, March 23rd, 1961. Oral Answers. Col. 557.

### National Insurance Contributions

Mr HOUGHTON asked the Chancellor of the Exchequer what increases are now required in the amounts for relief for National Insurance contributions in the Third Schedule to the Finance Act, 1960, to bring them into line with the contribution payable from April next.

Mr SELWYN LLOYD: The question whether any change is desirable in the tax relief to be given for National Insurance contributions and, if so, what it should be, is one which I am considering in connection with my Budget statement.

*Hansard*, March 21st, 1961. Written Answers. Col. 32.

### £ Sterling: Purchasing Power

Mr G. THOMAS asked the Chancellor of the Exchequer whether he will state the purchasing power of the £ in October 1945, October 1951, October 1955, October 1960, and at the latest convenient date, taking the £ of October 1939, as the basis of comparison.

Mr BARBER: The purchasing power of the £, taken as 20s in 1939, was 12s 7d in 1945, 8s 11d in October 1951, 8s in October 1955, 7s 3d in October 1960, and 7s 2d in February 1961. Monthly figures are not available for 1939 and 1945.

*Hansard*, March 23rd, 1961. Written Ans. Col. 57.

### Surtax

Mr HOUGHTON asked the Chancellor of the Exchequer what would be the cost in revenue of extending to surtax the present income tax earned income relief, and of setting off personal allowances in full instead of the excess over £140 at present.

Mr SELWYN LLOYD: About £48 million.

*Hansard*, March 21st, 1961. Written Ans. Col. 32.

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### REVALUATION OF ASSETS

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**COMPANY LAW COMMITTEE**

The minutes of the ninth day's evidence taken before the Company Law Committee were published last Wednesday. The witnesses were representatives of the British Insurance Association, the Committee of London Clearing Bankers and the Institute of Actuaries. Copies may be obtained from H.M. Stationery Office, price 5s (by post 5s 5d).

**ACCOUNTANCY TRAINING BY TELEVISION**

A suggestion that accountancy might be taught through the medium of a 'television college' is put forward in *Educational Television: a Survey and a Plan*, by John Wellens (John Wellens (ITT) Ltd, The Sun House, Guilsborough, near Northampton, 5s post free). The author states that this is the most suitable subject for such an experiment because it is 'most closely geared to obtaining qualifications through the correspondence course'. He suggests that it might be appropriate to invite one or more of the correspondence colleges, in conjunction with the professional bodies, to interest themselves in the idea.

**GRIMSBY AND NORTH LINCOLNSHIRE  
CHARTERED ACCOUNTANTS**

The seventh annual report of the Grimsby and North Lincolnshire Branch of the Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants, presented at the annual general meeting of the Branch held on March 20th, records a total membership at December 31st, 1960, of eighty-eight.

The report states that regular meetings were held during 1960 when addresses were given on topics of general interest such as 'Controls for management', 'The National Agricultural Advisory Service' and 'The National Insurance Act, 1959'. In addition, there was a talk on 'The work of the Council' and discussion of members' problems.

There was an attendance of 123 members and guests at the annual dinner held at *The Royal Hotel*, Grimsby, on November 17th, and the branch organized the district society's golf competition for the J. J. Campbell Cup which was held at Elsham.

The following officers and committee have been elected for the ensuing year:

*President:* Mr A. A. Beardsall, F.C.A.  
*Chairman:* Mr W. McWilliam, F.C.A.  
*Vice-Chairman:* Mr G. R. Watson, F.C.A.  
*Deputy Chairman:* Mr D. L. Stephenson, F.C.A.  
*Hon. Treasurer:* Mr A. Buckton, F.C.A.  
*Hon. Secretary:* Mr W. S. Warrs, F.C.A., 20 Carlton Road, Grimsby.  
*Hon. Librarian:* Mr G. D. Falconer, F.C.A.  
*Committee:* Messrs T. B. Campsie, F.C.A.; B. H. Edwards, F.C.A.; E. M. Fisher, F.C.A.; J. R. Gregory, F.C.A.; R. B. Heaton, F.C.A.; G. R. Smith, F.C.A.; R. A. Steele, A.C.A.  
*Ex officio Members:* Messrs C. M. Strachan, O.B.E., F.C.A.; R. H. R. Marshall, F.C.A.; N. Townend, F.C.A.

**I.C.W.A. STUDENTS' COURSE AT OXFORD**

Just over one hundred students, speakers and officials attended the highly successful residential course for students of The Institute of Cost and Works Accountants held at The Queen's College, Oxford, last weekend under the chairmanship of Mr L. Jenkinson, F.C.W.A., A.C.I.S.

An address on 'The art of study' was given on Friday by Mr R. Glendinning, M.A.(HONS.), C.A., F.C.W.A., and on Saturday and Sunday, there were lectures and discussions on various aspects of cost accountancy and allied subjects.

After dinner on Saturday evening, the President of the Institute, Mr W. S. Risk, B.COM., C.A., F.C.W.A., who had earlier that day attended a regional conference of the Institute at Wolverhampton, addressed members of the course. He said that the Institute was gratified that so many students had attended this first residential course exclusively for registered students of the Institute to be held at The Queen's College.

In addition to the need to acquire technical knowledge and experience, Mr Risk emphasized that it was not figures themselves but the use of figures by individuals which provided the means of control. It was people who mattered, and in dealing with people certain personal characteristics were essential - integrity, objectivity, powers of decision, enthusiasm, persistence, ability to communicate, loyalty. To this there must be allied technical ability.

**THE INSTITUTE OF INTERNAL AUDITORS  
Manchester Chapter**

The next meeting of the Manchester Chapter will be held on Tuesday, April 18th, at 7 p.m., in *The Exchange Club*, Fenwick Street, Liverpool, when Mr K. A. Allan, F.C.A., manager of audit and methods, J. Bibby & Sons Ltd, will speak on 'Audit and methods'. Interested non-members will be welcome.

Secretary of the Chapter is Mr R. S. Rossiter, divisional internal auditor, Shell-Mex and B.P. Ltd, Shell-BP House, 7 Oxford Road, Manchester, 1.

**F.B.I. CONFERENCE REPORT**

The Federation of British Industries has published a full report of its conference held at Buxton during September of last year under the heading *Invest in the Future*. Copies are available from F.B.I. Print and Publications, 21 Tothill Street, London, SW1, 6s post free (excluding airmail).

**OFFICE PRODUCTIVITY**

The proceedings at a conference entitled 'Productivity in the City office - an aid to commerce', held in January by the Central London Productivity Association, have now been published in duplicated form as

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a booklet of thirty pages. The four papers included are 'Simplification of export documentation', by Mr P. W. Ricardo; 'Cutting out the paper work', by Mr F. Mitchell; 'The small office: inexpensive aids to efficiency', by Mr H. Holman Hunt, and 'The office as a work place', by Mr G. A. E. Young. Copies of the booklet may be obtained, price 10s, from Mr W. A. R. Webster, O. & M. Division, H.M. Treasury, London, SW1.

### 'HANDLING FOR PROFIT'

Every time a product is handled, something is added to its cost without increasing its value. 'Handling for

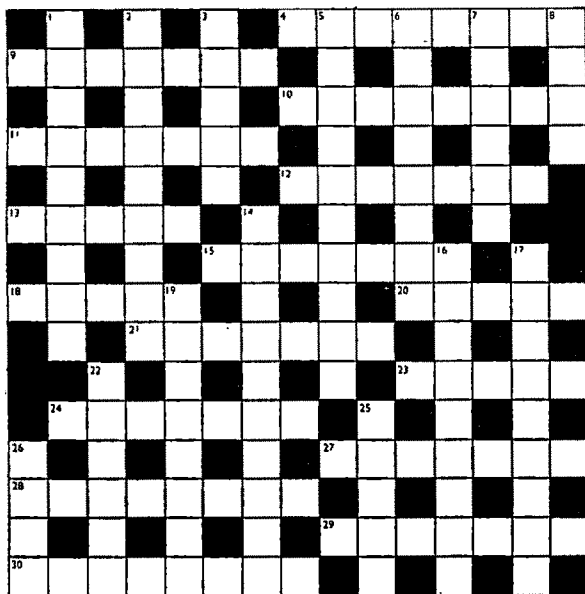
profit' is therefore an appropriate title for a one-day conference on materials handling to be held on April 12th, by the Willesden & Hendon Local Productivity Association.

The first conference held by the Association in 1960 was extremely highly and it is hoped that this year's conference, which will include two short films on materials handling, will prove just as useful.

The conference will take place at the Willesden Technical College, Denzil Road, London, NW2, and further information can be obtained from Mr G. R. Lutner, S. Smith & Sons (England) Ltd, Waterloo Road, London, NW2.

## HOLIDAY CROSSWORD

Compiled by Kenneth Trickett, F.C.A.



### CLUES ACROSS

4. Which French river is an annual sum within the meaning of Section 509, Income Tax Act, 1952? (8).
9. Change for the call-box? (7).
10. Progressive subs (8).
11. Is this ledger hardly more than a matter of form? (7).
12. A cheque may be — generally or specially by the drawer. (Section 77 (1), Bills of Exchange Act, 1882) (7).

13. Not 29: such a debenture is without charge (5).
15. It is right to begin with a small company (7).
18. One may find 100,000 rupees in this locality, to invest (5).
20. Wanting money, or unwilling to part with it (5).
21. Carry into effect (7).
23. Office worker (5).
24. A promissory note is an unconditional — in writing . . . (Section 83, Bills of Exchange Act, 1882) (7).
27. He is custodian, but not owner, of goods in a contract of bailment (7).
28. *Bennet v. Underground — Railways Co of London* ([1923], 8 T.C. 475) (8).
29. Provided for, as dividends of a successful company are (7).
30. Is rented, possibly, but not exactly domiciled (8).

### CLUES DOWN

1. This sort of settlement is dealt with in Section 404, Income Tax Act, 1952 (9).
2. A fall in taxation (9).
3. This kind of tender cannot be refused in payment of a debt (5).
5. Subscribe, as Lloyd's do (10).
6. Negotiate across legislative enactment (8).
7. . . . a period which cannot — six years . . . (Section 392, Income Tax Act, 1952) (6).
8. Examine the first part of the testimonial (4).
14. It is extra-statutory (10).
16. Document proving right to possession (5-4).
17. Hired by contract, as the solver may well be (9).
19. Freed from liability (8).
22. . . . endorsements, cheques and — for money or goods . . . (Section 108 (1), Companies Act, 1948) (6).
25. Section 35, Income Tax Act, 1952, provides that if the Additional Commissioners are satisfied as to the assessments delivered by the assessors, they shall sign and — them (5).
26. An expensive way to begin a letter (4).

*The solution will be published in next week's issue.*

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## Economic Survey

**R**EADING the annual *Economic Survey* of recent years has been largely concerned with looking for clues about the forthcoming Budget. The Survey carries the economic inferences to be drawn from the economic events of the previous fiscal year, with some very tentative thoughts (to be clothed with flesh and blood on Budget Day) about the incoming year. As an exercise in economic *planning* the Survey was drained of its life-blood as far back as the later years of the post-war Socialist Government.

The 'clue' word this year is perhaps 'growth'. It appears in several places in the first part of this year's Survey (published on Wednesday) which deals with Britain's economy in 1960 and the prospect for 1961. From this word and its surrounding context, the optimists will read surtax reliefs in the offing in a Budget of limited scope for manoeuvre and relaxation. The rest of us will await Budget Day with hopeful scepticism (whether our predilection be for surtax relief or some other relaxation in direct taxes), and relish the pleasures and accuracy of hindsight.

So far as the outlook for 1961 is concerned, the Survey expects some increase in the real income of consumers. Last year the hire-purchase restrictions checked consumption and raised savings. This year hire-purchase is expected to stimulate consumption again. The outlay on current expenditure by the Government and local authorities is expected to rise by 3 per cent as it did in 1960. On the other hand, private investment is likely to rise sharply, due mainly to further large increases in capital expenditure by manufacturing industry. The Survey quotes the Board of Trade's recent periodic investigation that manufacturing industry plans to spend 30 per cent more in 1961 than in 1960. The distributive and service industries are expected to invest about 10 per cent more and the Ministry of Works has made an inquiry which shows that there will be more private house building in the incoming fiscal year. Public investment (that is, the capital outlay of Government departments and local authorities) is also expected to go up somewhat, so the total impression is of continuing advances in fixed investment demand on an appreciable scale. On the other hand, there is expected to be a fall in the rate of stockbuilding.

There is thus a prospect of considerable expansion of demand and also of production. The demand position will, of course, become delicate if the export drive this year is highly successful and goods go abroad instead of meeting home demand. On the supply side there is chronic danger of pressure on costs through wage rises. The labour force this year will increase by about the recent annual

average, but this year's Survey has less to say directly about pressure from wages than in the past. The inference is, however, that the Government is preoccupied to some extent with the trend of purchasing power and earnings. It remarks that last year there was a substantial increase in real income, pointing out that earnings (including salaries) went up by  $5\frac{1}{2}$  per cent between the second half of 1959 and the second half of 1960, compared with  $4\frac{1}{2}$  per cent in the same half-years of 1958 and 1959.

On external account, imports are expected to decline owing to the easing off in stockbuilding already mentioned. Any big improvement however, says the Survey, must be the result of higher exports. Apart from listing what the Government has done to stimulate exports, the Survey is non-committal about the trend. But it clearly hopes for a general expansion in world trade and a sharpening of Britain's competitive edge to keep the recently improved trend going in the right direction.

'With the present high level of industrial investment, the capacity for growth is still increasing.' So says the Survey and it goes on to say that it is the Government's policy to encourage this growth. There is, indeed, throughout the first part of the Survey a much stronger flavour, of confidence that it is possible to keep resources fully employed – full employment, full use of all resources. The usual warnings are there about the dangers of excessive pressure of demand and the perennial difficulties with the balance of payments. But the word 'inflation' is less obtrusive than usual and more is heard about encouraging 'economic growth'.

That does not add up to a spending spree, however, for any section of the community. 'The Government do not believe that running the economy with greater pressure of demand than at present would in fact increase a sustainable rate of growth'. There is to be, perhaps, a change of emphasis in the chosen instruments of economic expansion, but nothing is to have priority over the need for increased exports.

There are signs in the Survey that the Government is impressed by the reaction to the investment allowances, particularly as they were maintained last year although other restraints were put upon demand. The aim was to restrain the growth of demand without checking the

incentive to invest. Elsewhere in the Survey there is a defence of the Government's need to encourage stability from time to time by either checking or stimulating demand. Reading between the lines one has the impression that the Government is saying that it is aware of the criticisms made about its efforts to control demand by concentrating each time on certain easily available restraints (restrictions on hire-purchase could be one of them), but that it is prepared to pursue a policy of encouraging expansion provided this does not lead to intensified competition for already acutely scarce resources. It is therefore prepared, presumably, to encourage capital intensive, in contrast to labour intensive, industries and to stimulate everyone to greater effort – provided we all save rather than consume our increments.

In the calendar year 1960 there was already a large increase in saving on personal accounts. They went up from £1,033 million to £1,483 million and since there was an advance in personal domestic investment of only £134 million, there was the substantial balance of £316 million for holding in some form of financial assets or for investment abroad. Thus the propensity to save on the part of individuals continues to increase (last year savings were above the high level reached in 1956). In the case of companies (which are much larger savers, of course, than individuals) investments went up quicker than savings and most other saving and investment bodies, including the Government, invested on a scale which exceeded their rate of saving. Does this mean that this year there may be help coming for those sections of the community which will save – if they can be identified?

It seems unlikely that THE CHANCELLOR OF THE EXCHEQUER will be able to do much more this year than redistribute the tax burden in a modest way. With the recovery in the United States now beginning, there may be an upswing in world trade in 1961 from which Britain's exports will benefit. The expected growth in consumer demand and public spending, and the strain to be expected both from domestic investment of all kinds and commitments abroad – especially to the under-developed areas – already discount an upsurge in exports to some extent. Growth there may be in 1961, but the CHANCELLOR is not likely to let it get out of hand.



## Valuing Work in Progress

**W**HEN the House of Lords gave judgment on March 28th, in *Ostime v. Duple Motor Bodies Ltd* (*The Accountant*, March 25th, page 379), that company was for the first time in a position to know with certainty the amount of profits tax payable on its profits for the year ended March 31st, 1951, almost exactly a decade earlier.

These years of uncertainty were not the result of any failing on the part of the company; they came about because the Inland Revenue in 1951 had decided to attack the basis on which the company had been valuing its work in progress.

The company's trade consisted in manufacturing, to order, bodies for motor vehicles – mostly motor coaches. Almost entirely the bodies were built to the specifications of the individual purchasers; there was no mass production and the company never bought a motor chassis. The business was seasonal, the busy period ending about June in each year, while the accounts were made up to March 31st. The accounts for the year ended on that day in 1951 showed an item 'Work in progress' and unfinished stock £136,109, the annual turnover being in the region of £1 million. This figure represented only the cost of labour and materials; the amount of finished stock included in the £136,109 was very small. Having decided to attack this valuation, the Inland Revenue caused assessments to be made on the company's profits in round figures, thus forcing the company to appeal. It agreed with the Inland Revenue to ask the Special Commissioners, in the first place, to decide as a matter of general principle whether the direct cost method of valuing work in progress was correct, or whether this method should be discontinued in favour of the on-cost method.

Among the evidence put in by the company was No. 10 of the *Recommendations on Accounting Principles* issued by The Institute of Chartered Accountants in England and Wales. Paragraphs 107 to 112 '(which although dealing with stock-in-trade generally also apply to work in progress)' were set out verbatim in the stated case. This recommendation has, of course, been superseded by Recommendation 22 published last November,<sup>1</sup>

but it was to No. 10 that the House of Lords necessarily had to have regard as it was in the stated case.

The Inland Revenue contended that where there is more than one method for arriving at profits, the most accurate one should be used for tax purposes and that 'accordingly' the work in progress must be brought in at 'full cost, that is to say, the direct cost with the addition of the proportion of overhead expenses referable to such work in progress'. They also contended that to exclude all overheads was in effect to allocate the whole of them to sales effected during the year; that at least some of the indirect expenditure had been expended on work in progress and that it could not be correct, in arriving at Case I profits, to allocate the whole of the indirect expenditure to sales effected during the year.

The Special Commissioners accepted the Revenue contentions and said they were confirmed in their view by the Institute recommendation to which they had referred. They left the figures to be agreed between the parties, but not surprisingly, in view of the vagueness of the decision, such agreement was not forthcoming. After the Special Commissioners had fixed the amounts of the assessments, both sides demanded a stated case. MR JUSTICE VAISEY allowed the company's appeal on the point of principle, i.e. he held that the method actually adopted by the company should continue to be accepted. This decision has now been unanimously affirmed by both the Court of Appeal and the House of Lords.

The two questions posed by the Special Commissioners in the stated case were:

- (1) Whether, on the evidence and in view of our findings . . . our decision that the on-cost method could be applied . . . was erroneous in law.
- (2) On the basis that we were correct in applying the on-cost method, whether our decision as to what items should be included in arriving at cost on this method was erroneous in law.'

VISCOUNT SIMONDS, giving the first opinion in the House of Lords, observed that before he could decide whether the on-cost method was erroneous he would have to know what it was;

<sup>1</sup> See *The Accountant*, November 19th, 1960.

after two days of discussion the only thing that clearly emerged was that the on-cost method was different from the direct cost method. The Crown, after strenuously arguing that the on-cost method ought to be applied, had gone on to ask the House to say what it was. If nobody knew what it was, the question whether or not it was erroneous was a difficult one.

His Lordship recalled the observations of the Special Commissioners to the effect that various different on-cost methods were in common use and he added 'what a prelude is this to asking the Court whether the decision . . . that the "on-cost" method should be applied . . . was erroneous in law'. The practice of accountants, even if it were general or even universal, could not by itself determine the amount of profits for tax purposes (*Minister of National Revenue v. Anaconda American Brass Ltd* (34 A.T.C. 330)). On the other hand, accountancy practice was the foundation of the decision in *Whimster & Co v. C.I.R.* (4 A.T.C. 570), and it was for this reason that stock-in-trade was brought into account. However, it was a first principle of tax law that a taxpayer was entitled to debit his expenditure of the year, unless prohibited by Section 137 of the Income Tax Act, 1952, and whether or not the expenditure bore fruit in the same year (*Vallambrosa Rubber Co Ltd v. Farmer* (5 T.C. 529)). The fact that it was generally conceded that something must be credited for stock-in-trade and work in progress must not be pressed beyond the point at which the accountancy profession was widely, if not universally, agreed. The prevailing consideration must be that the taxpayer must not be put to any risk of being charged with more profit than can be determined with reasonable accuracy. If his lordship had to choose between these two vaguely defined methods, he would choose direct cost as less likely to violate the taxing Acts; the more so as any possible under-assessment would be made good in the following year.

Another consideration which weighed with LORD SIMONDS was that on-cost methods were no better than guesswork and, if carried to their logical conclusion, were elaborate and costly. They might be desirable from a commercial point of view but it was a very different thing to impose them on a trader whether he liked them or not. A third consideration was that in this

particular case the on-cost method adopted produced an absurd result: it threw up an increase of £14,000 in the value of the work in progress in a slack year, as against a decrease of £2,000 as thrown up by the direct cost method.

LORD REID said that the 'cost or market' principle, which took account of a loss before it was incurred, might well be good conservative accountancy but was quite illogical, although adopted in the *Whimster* case. He drew attention to paragraph 107 of Recommendation 10 that whatever basis was adopted should be applied consistently and he emphasized that the direct cost method had been followed here since 1924. A Court normally attached great weight to the view of the accountancy profession but the Court must have the last word. If the accountancy profession could not finally decide the broad principle, the Court could not. The most it could do was to bring common sense to bear on the present problem, on the assumption that common sense was the same for lawyers as for accountants. He was not satisfied that 'market value' could be applied in the case of work in progress. Both LORD TUCKER and LORD HODSON agreed with LORD REID.

LORD GUEST said that the arguments used by the Crown showed that it was not so much concerned with valuing work in progress as with disallowing expenses; i.e. by a circuitous method it was seeking to disallow expenses permitted by Section 137 as construed in the *Vallambrosa* case. Once the Special Commissioners had found as a fact that the direct cost method was recognized by the profession as correct accountancy, it followed that their decision substituting on-cost was erroneous in law.

Recommendation 22 of the Institute, being issued after the stated case, could not form part of the discussion. It is interesting to see, however, how close is paragraph 34 (a) of it to the general observations in the House:

"cost" means all expenditure incurred directly . . . together with such part, if any, of the overhead expenditure as is appropriately carried forward in the circumstances of the business instead of being charged against the revenue of the period in which it was incurred.'

All the accountant has to do is to decide what is appropriate. This case will give him some useful guidance, even though it does deal with a rather special trade.

# Professional Negligence

## THE MEASURE OF DAMAGES

CONTRIBUTED

**A**N article in *The Accountant* of December 24th last, discussing the question of professional negligence and the liability of accountants, pointed to the general principle that they, like solicitors and other professional men, risk incurring liability for negligence if they fail to exercise proper skill and care. It is proposed here to examine the broad foundations upon which the amount of damages recoverable is to be assessed.

### Dearth of Cases

An initial difficulty is the dearth of reported cases concerning the negligence of accountants; presumably most cases are settled, but there is more to it than that. In his *Professional Negligence* (1955) Mr J. P. Eddy, Q.C., writes (p. 61):

'Surveying this field, what impresses me is that fact that there are so few reported actions against accountants and auditors for negligence. This may be of course because they themselves are watchdogs - on the look-out for acts of negligence on the part of other people. But the true reason no doubt is that, in general, they do in fact bring to the discharge of their duties a high degree of care and skill and also, what I think is equally necessary, a high sense of responsibility.'

Indeed, it was as long ago as 1895 that the Court of Appeal considered in detail the general duties of auditors, and the decision of the Court in the case of *Re London and General Bank* (No. 2) ([1895] 2 Ch. 673) is still the law. It was there laid down that though it is not the duty of auditors examining a company's books to say whether the business was prudently or imprudently conducted, at the same time they must take reasonable care to ensure that their report concerning the company's financial position is true. The question came before the Courts when a company, with which the celebrated Jabez Balfour was associated, found itself in difficulties. The auditor made a confidential report to the directors that the securities on which the capital was invested were insufficient and drew attention to the difficulty in realizing them. Unfortunately, in his report to the shareholders he omitted - on Balfour's instigation - a sentence, and merely stated that the value of the assets was dependent on realization; so that the shareholders were

deceived as to the company's condition and a dividend was declared not out of income but out of capital. It was held that he was liable to make good the amount paid.

As Lord Denning has pointed out in his foreword to Mr Eddy's book, the Courts realize that a finding of negligence against a professional man is a serious matter for him.]

### More Rigid Standard

It is arguable, however, that in recent years the proposition that solicitors are liable only if grossly negligent has been modified and the standard of care made more rigid. If this be so the same principle, it is submitted, applies to accountants. Curiously, the *Law Reports* contain more cases of solicitors' negligence than of accountants' negligence, although there are considerably more accountants than solicitors in the United Kingdom.

In a leading case, *Fletcher & Son v. Jubb Booth & Hellivell* ([1920] 1 K.B. 275), solicitors were sued by a firm of carriers claiming damages for negligence in the conduct of an action brought by the carriers against Bradford Corporation, the employers of a tram-car driver through whose negligence the waggon, horse and driver of the carriers sustained injury. The solicitors were alleged to be negligent in allowing the period of limitation laid down by the Public Authorities Protection Act, 1893 - this was repealed in 1954 - to run out. As a result, the carriers were unsuccessful in a County Court action. The question of the solicitors' negligence came before the Court of Appeal, where Bankes, L.J., mentioned the principle laid down by Tindal, C.J., in *Godefroy v. Dalton* ((1830) 6 Bing. 460, 468) that a solicitor

'is liable for the consequences of ignorance or non-observance of the rules of practice of this Court; for the want of care in the preparation of the cause for trial; or of attendance thereon with his witnesses; and for the mismanagement of so much of the conduct of a cause as is usually and ordinarily allotted to his department of the profession'.

The Court held that the solicitors had been negligent and judgment was entered for the carriers for the sum of £48 14s 9d, the amount

agreed between the parties in the County Court action.

In *Fletcher's* case, the original tortious negligence was admitted and the damages agreed, but what is the position when the possibility of success in the proceedings in connection with the conduct of which the solicitors were negligent is uncertain? The Courts have not looked with favour on having to try 'a case within a case', and MacKinnon, L.J., said, in another leading case, *Groom v. Crocker* ([1939] 1 K.B. 194):

'I am clear that this is a claim for damages for breach of contract, and that the plaintiff can only recover the pecuniary loss that he can show he has suffered. He can prove no such loss in this case.'

The case was decided on its own special facts and the question of damages in what may be called a cause arising out of professional negligence in the conduct of speculative litigation was not impressively plainly clarified by a number of subsequent decisions whose value is, by and large, limited to their context. And so it was that in a recent case, *Hall v. Meyrick* ([1957] 2 Q.B., at p. 475), Hodson, L.J., referring to the question of damages – upon which, in this case, he did not have to express an opinion – spoke of

'the difficult question – and, indeed, from the academic point of view, the interesting question'.

### Recent Developments

It is submitted that the most recent case concerned with the problem takes the matter further and that its essential determination is applicable to accountants. As reported in *Kitchen v. Royal Air Force Association and others* – solicitors ([1958] 1 W.L.R. 563), the plaintiff was the widow of a member of the Royal Air Force who was electrocuted in his home because, the plaintiff alleged, there was a defect in the control unit of an electric cooker. There were factors in the case going beyond the simple question of solicitors' negligence, but there emerged in the judgments the assertion of a fundamental principle. It was held that the solicitors had been negligent and at the end of his judgment, Evershed, M.R., said:

'I come last to what may be the most difficult part of all, namely, assuming that she has established negligence, has the plaintiff proved anything other than nominal damages? It is necessary to say something of the nature of the problem which (as I understand the law) the Court has to solve in determining the measure of damages in a case such as this. . . .

'If in this kind of action, it is plain that an action could have been brought, and if it had been

brought that it must have succeeded, of course the answer is easy. The damaged plaintiff then would recover the full amount of the damages lost by the failure to bring the action originally.'

He went on to say that if, on the other hand, the plaintiff never had a cause of action, she could get nothing save nominal damages for the solicitors' negligence. There was some doubt whether Mrs Kitchen would have succeeded in her original action and the word 'mystery' was used in connection with the circumstances of the electrical appliance's failure. He pointed out that the present case did not fall into either category, and, asserting that there might be cases where it would be impossible to try 'the action within the action', he said that in such a case as the present – assuming that the plaintiff had established negligence – the Court had to determine what the plaintiff had by that negligence lost. He continued:

'The question is, has the plaintiff lost some right of value, some chose in action of reality and substance? In such a case, it may be that its value is not easy to determine, but it is the duty of the Court to determine that value as best it can.'

He agreed with Lloyd Jacob, J., from whose decision the solicitors had appealed, that the plaintiff should be entitled to recover £2,000, a figure arrived at as equivalent to 'two-thirds of the full amount which (admittedly) was the maximum recoverable under the Fatal Accidents Acts'. The Master of the Rolls quoted from Mr Justice Lloyd Jacob's judgment:

'I am not prepared myself to say that there was no hope for this action. I think there were certain difficulties in the way, and I think that having regard to the fact that this lady had three children to look after, it was a very heavy responsibility upon those advising her, if an offer of compromise had been made to reject it out of hand. The more I think about it the more I think that, weighing up all these possibilities, and considering that even successful actions may involve a party in some parts of the costs, the fair figure at which to estimate the damage which was suffered by the failure to bring this matter to trial or to issue proceedings is the sum of £2,000.'

### Principles Applicable to Accountants

It is submitted that the general principles stated in this case are applicable to the professional negligence of accountants, and although it may be conceded that in the nature of things solicitors may be primarily the target, the essential finding is one of which accountants might take note as, at the least, a matter of academic interest.

# Should a Company Tell?

## DISCLOSURE OF INFORMATION TO EMPLOYEES

by W. R. ANDERSON, F.A.C.C.A., A.C.I.S.

**D**URING the past fifteen years there has been a growing tendency for the more enlightened of managements to attempt to bridge the gulf between employer and employed by encouraging employees to take a more personal interest in the fortunes of the enterprise for which they work. To this end greater cognizance is taken of the contribution made by employees and less conservatism is shown in the disclosure of information. Industrial relationships are invariably improved when the employer goes beyond the limit of giving his employees the minimum information necessary for the performance of their duties, and instead adopts a policy of filling in the background to management decisions. Some enterprises go further than this, and provide details of their financial position.

### Public Disclosure

Before the merits and demerits of disclosing financial information to employees are examined, it is necessary to bear in mind the statutory requirements concerning disclosure to the public and other interested parties.

Nationalized undertakings, that is, those responsible to a Minister of the Crown, are obliged under their respective statutes to submit annual reports and annual accounts to the appropriate Minister. These accounts and the accompanying reports are subsequently presented to Parliament, where their contents are made available to members of both Houses. These documents are in considerable detail and the wealth of information provided greatly exceeds that which must be disclosed by registered public companies. Copies are offered for sale through Her Majesty's Stationery Office.

Before a joint stock company, registered under the Companies Acts, may invite members of the general public to become shareholders or debenture-holders, it must first publish details of its present and past financial position. Thereafter the company must provide each shareholder and each debenture-holder with a copy of its annual accounts and directors' report. Copies of these documents must also be filed with the Registrar of Joint Stock Companies, where they are available for inspection by the public on payment of a small fee.

Because a private company may not invite members of the general public to subscribe for its shares and debentures, there is no requirement to disclose publicly any information relating to its finances. However, in common with public companies, it must provide each of its members and debenture-holders with a copy of its annual accounts and directors' report. Copies must also be filed with the Registrar of Companies. Although exempt private companies are relieved of the obligation to file annual accounts they must provide each of their members and debenture-holders with a copy of the annual accounts and directors' report.

The accounts of friendly, industrial and provident societies are prepared in the form of returns, which have to be submitted to the appropriate Registrar annually as part of an overall return providing information on all aspects of the society's activities. Copies of this return must be supplied on request to each member or person interested in the funds. In addition, a copy of the last audited balance sheet must be hung in a conspicuous place at a society's registered office. A building society must provide a member on application with a copy of its annual return, but in addition it must send to each shareholder who has a minimum shareholding of £25, a copy of the annual accounts and directors' report. Members who are not entitled to receive these documents must be provided with copies on application. Annual returns and, where appropriate, accounts and reports filed with the Registrars are open to inspection by the public on payment of a small fee.

Unlike nationalized undertakings, joint stock companies and registered societies, there is no statutory requirement for partnerships and sole traders to prepare an annual account of their finances (other than for tax purposes) and in consequence there is no legal obligation to circulate the contents or to lodge copies with a public official where they may be examined by the public.

From the foregoing, it is evident that disclosure of financial information is primarily intended for those who provide the capital. This fact is confirmed by the statutory regulations which are especially applicable to registered companies.

### Contributors to Production

The production of goods and the provision of services result from the combined efforts of management, providers of capital, suppliers of material, and labour. Each group makes its contribution in the expectation that it will be rewarded, and although some groups may have priority over others in this respect, the total reward is eventually dependent upon the sale of the end-product, and ultimately therefore on the fortunes of the enterprise.

Management is in possession of all information, as indeed it must be if it is to fulfil its function effectively. It is aware at all times of the financial position and the prospects for the future. Providers of capital (shareholders and debenture-holders) are required generally by statute to be informed annually of the financial position for the past financial year. When capital is provided in the form of loans or advances, the lender may insist on being given details of the borrower's financial state; if the sum involved is large, he may require as a condition of the arrangement some representation at director level.

Suppliers of materials and services normally satisfy themselves of the standing of their prospective customers before conducting business with them. For day-to-day transactions which represent individually a relatively small part of their business, suppliers will rely initially on trade references and subsequently on their own experience. If, however, the transaction is an exceptional one, or a long-term arrangement is envisaged, the supplier will have to evaluate the risk, and for this purpose he will usually obtain details of his prospective customer's financial standing direct; or if the customer is a body which files accounts, he may refer to this record. Thus, although a supplier has no statutory right to receive information concerning a customer's financial affairs, his position is such that normal commercial practice and procedure will enable him to obtain the information required.

So far management, providers of capital and suppliers receive or are able to obtain information concerning the enterprise in which they are interested. But what of the fourth group – labour? It can be said that current commercial practice and law affords some protection to the supplier of labour; this is true as far as payment for services rendered is concerned, and as far as there are provisions for notice on termination of service. But is this enough? In this modern age the continuous effort of industry and commerce to operate with greater efficacy results in an in-

creasing division of labour, and a corresponding rise in the ratio of skilled and specialized employees to other employees. Because of this, movement from one employer to another is not easy and tends to become more difficult as the employee grows older and his skill and experience becomes more contained. Further, the provision of superannuation schemes, social amenities and the problem of accommodation all contribute to deter movement. In consequence, employees have a greater interest in the fortunes of an enterprise because their prospects are now allied more closely to them.

### Labour as an Investment

The supplier of labour is in fact rather like the provider of capital, in that he also invests something in the business, namely, his labour and personal skill. The return on this investment comes in the form of wages or salary. In common with the supplier of capital, the supplier of labour can also withdraw his investment and find an alternative use for it. It may be argued that this comparison is unrealistic, because if the enterprise is not successful the capital invested may not remain intact, whilst in the event of failure the total capital may be lost and nothing left for further investment. Labour, on the other hand, can find alternative employment although it may be less remunerative. Against this, it must be remembered that capital has an indefinite life and can appreciate, whilst labour ceases to exist on the death, incapacity or retirement of the supplier; it also depreciates with age.

If it is accepted that the supplier of labour and the provider of capital make a comparable contribution to production, should not the supplier of labour also be advised periodically of the financial progress of his employer, so that he too may have an opportunity of assessing the worth and prospect of his investment? At the present time, with comparatively few exceptions, the supplier of labour is the under-privileged contributor to production in this respect. His group alone is left in ignorance of the position and prospects of the enterprise in which he has a vital stake.

### Nature of Information

The progress of a business and its current state can be assessed only if trading results and the resultant financial position are given regularly in sufficient detail to disclose the efficacy of the enterprise, and if some indication is given of plans for the future. Such information can be

provided by financial statements accompanied by vital statistics, valuations and the order book position. As the value of financial statements and other facts deteriorate with the passing of time, it is essential that they should be made available as soon as possible after the close of the period to which they relate. It is also desirable that the period covered should be as short as practicable.

### Factors Affecting Disclosure

The financial results of activities carried on by an individual, group of individuals or by a legal entity, are basically matters of a confidential nature for the information of those responsible for the enterprise. There still exists a certain reticence on their part to disclose details of their incomes, although the growth of the trade union movement has to some extent breached this attitude. The publication of basic wage rates both within and outside an industry, and the practice of some concerns to disclose not only basic wages and salaries, but also average earnings and fringe benefits help to remove the confidential nature of an individual's income.

Sole traders and partnerships have been affected little by this current trend, and details of their financial state remain a confidential matter revealed only to the select few.

The growth of the joint stock company has resulted in the periodic review of the legislation applicable to these companies, and subsequent Acts of Parliament have called for the disclosure of more and more information for the providers of capital, so that the interests of this group may be given some protection. This legislation still respects the basic confidential aspect of the finances of certain companies, notably exempt private companies and those who avail themselves of the provisions of Section 149 of the Companies Act, 1948. The finances of the nationalized industries, by the very nature of their State ownership, are treated with the minimum of secrecy.

It is apparent, therefore, that size, and presumably strength, of an enterprise has an important bearing on disclosure; a fact borne out by the increasing number of large public companies which tend to give more information than the legal minimum. The strength of an enterprise is determined by its ability to face competition, deal with wage demands, withstand adverse trading conditions and accept public criticism.

Competition is undoubtedly the biggest single factor to be taken into consideration, and it is obvious that the smaller concern is more vulner-

able to challenging influences which could be re-enforced by disclosure of its financial position. Adverse trading conditions will also have a greater impact on the smaller organization which has neither the resources nor diversity of interests spread over a wide field as has the larger counterpart.

Wage demands and public criticism operate in the opposite direction. The larger enterprises suffer most from industrial discontent; labour in these instances is well organized under strong leadership. Because of their size and their impact on the nation's economy, these enterprises are well known, and in consequence they are more liable to public criticism than the smaller concerns whose activities are of local interest only.

When considering disclosure of information to employees, care must be taken to ensure that they do not become more informed than the suppliers of capital. If the inference is accepted that capital and labour make a common contribution to production, no distinction should be drawn between them when revealing details of progress made, and results achieved, by the enterprise in which they have a joint interest.

### Merits and Demerits of Providing Information

Because the prime duty of management is to manage an undertaking efficiently, it is necessary to examine the effects of disclosure on efficiency. To a considerable degree efficiency will depend upon the nature of the relationship between employer and employee. Good industrial relations can be based only on the elimination of distrust by employees and frank disclosure by employers. Such relations are enhanced further by the removal of any feeling of insecurity, and by encouragement to employees to identify their future with that of their employer. With this in mind, it is fair to assume that any information which will improve industrial relations will also improve efficiency; and for this reason alone there is considerable merit in taking employees into the confidence of the management.

On the other hand, it would be disastrous to provide information which could be used advantageously by a competitor or by employees or any section of them. Further, under no condition should employees be provided with information which could be used to interfere with the management of the concern. Any information given must be for information and not for the endorsement or otherwise by labour of any particular policy.



Publication of information during boom periods could create a feeling of apathy, whilst disclosure during lean times might result in an unsettled atmosphere. As both conditions directly affect efficiency, the greatest care must be taken in the presentation of the information. All information must be given honestly; it must never be used as a rostrum by management to propagate partisan views.

### **Discrimination Between Employees**

Most undertakings have a pyramidal organization with management at the apex and the bulk of the labour force at the base. Between these two extremes there are all groups of employees; whilst somewhere nearer the apex than the base there are the transitional grades between supervisory and executive staff. In general, it is reasonable to assume that labour in the lower grades will be less equipped to understand financial and statistical statements than the higher grades. Further, it is also reasonable to assume that senior staff, by virtue of their appointments, are well able to follow and comprehend such statements and reports. The provision of the same information to both senior and other grades raises a problem, because any information given must be intelligible to the lowest grades. If this is not so, the main purpose of disclosure cannot be achieved. On the other hand, to restrict the degree of disclosure to the level understandable by the lower grades, is unfair to the intelligence of the senior staff. Experience has shown that the lower grades are more interested in the overall result and broad prospects for the future; this latter point is extremely important when losses have been incurred. The middle grades show a wider and deeper interest; the senior staff, as we might expect, shows the greatest interest of all.

There is another aspect of disclosure within a concern to be taken into consideration. If senior staff are supplied with regular progress reports of the undertaking's progress (that is, information additional to that essential for their duties), they will be encouraged to examine their own particular participation in the organization in the full light of the overall position. As a result, they will have a greater appreciation of what is going on, and they will be in a position to make a greater contribution to production.

Information should be supplied to employees in a form understandable by each grade, but as job grading is not necessarily synonymous with comprehension, such distinction would be unwise.

Nevertheless, there are grounds for discriminating between senior and other staff, particularly as the senior staff will undoubtedly already be entrusted with certain information of a confidential nature.

### **Personal Approach**

The provision of information to individual employees on a personal basis is effective only if there exists a real personal relationship between employee and employer. For this reason the personal approach should be restricted to senior staff. An attempt to assume a personal relationship with each of hundreds of employees in the lower grades can easily be misinterpreted, and quite rightly so, as a condescending attitude and one calculated to sow the seed of suspicion in the employer's motive.

Dissemination of information can be achieved by a circular, setting out the salient results and facts. This is a useful means of advising staff of interim progress and of calling their attention to the final achievement, details of which are published separately. Such a circular can be easily designed; it can be brief and to the point, and so provide the basic information of greatest interest to the majority of employees. The content of interim progress reports must be watched, so that employees are not placed in a more privileged position than shareholders and debenture-holders.

The point has already been made that employees should be in no worse position than shareholders, and therefore if this is accepted, all employees should receive a copy of the annual accounts, directors' report and chairman's speech. These documents, particularly if they are well presented, can provide the employee with all the information he requires. Although a distinction has been drawn between the capacity of different grades of staff to understand financial information, this should not detract from the principle of treating shareholder and employee alike, particularly as no distinction is made between shareholders, either according to their degree of comprehension or the size of their shareholdings.

There is a lot to be said for getting away from the present minimum statutory requirement in published accounts and for presenting them in a more attractive and imaginative manner. Distribution to employees would no doubt tend to accelerate this process. Although the cost of providing each employee with a copy of the annual accounts and associated documents would amount to a small fraction only of the annual

cost of each employee, it may be desirable to restrict issues to those members of the staff who have a minimum period of continuous service, because it is these employees who are most likely to continue to invest their labour. Copies should, however, be available to the shorter service employees on application by them.

### **Impersonal Approach**

The local and national Press can also be used as a means of disseminating information to the staff. Although this has value also as an advertising medium, it is a poor substitute for a copy of the accounts and other documents, because there is no guarantee that staff will see the papers in which the information is published, and even less will read the actual display because of the competition from the other contents. A house magazine is a far better vehicle for broadcasting information, particularly if it is a magazine designed primarily for employees. It provides an excellent means for the disclosure of progress reports, which incidentally can be absorbed much more effectively if they are built into or accompanied by a brief digest of the position by the managing director or chairman.

It is an accepted fact that publication of detailed information on notice-boards is the least effective method of advising staff. Notice-boards must, of necessity, be few in number, and although they may be well sited at strategic positions for maximum availability, they do not attract employees. Strategic locations usually mean transit areas which are busy, and where movement is impeded if people halt to study the information displayed. Notice-boards should be restricted to the publication of information which can be read quickly and which has a personal interest.

### **The Spoken Word**

Financial information can be given by word of mouth, either over an internal broadcasting system or by talks. Broadcasting is unsuitable for any information which requires thought and appreciation, and its use should therefore be restricted to announcements of immediate interest only. Any lengthy use of an internal system would in any event be impracticable. Talks by the supervisory staff to employees are an excellent method of disseminating information. They can be pitched to the general level of comprehension, and the speaker has the opportunity, when answering questions, of clarifying points and

removing any misconceptions that may arise. The success of this method depends on the ability of the supervisors to understand their subject and to put it across in a manner which is both interesting and informative. Talks by senior staff, particularly from those who are normally far removed from the bulk of employees, can be particularly effective. The personal touch can link the various departments together and underline the inter-dependence of units within an enterprise. Talks by these top staff and by specialists are normally possible only in the large organizations which operate internal training schemes. The great disadvantage of the spoken word is that of lack of time on the part of the speakers and the difficulty of addressing all staff.

### **Conclusion**

Although there is a strong case for providing employees with copies of financial statements when such statements are available to the general public, it is difficult to justify the disclosure of similar information to employees of other enterprises, particularly exempt private companies and those firms which have no statutory obligation to prepare and publish an annual account and report. Yet if an employee is in a comparable position to that of the provider of capital, no distinction should be drawn between types of companies or firms other than that dictated by competitive influences or circumstances in which disclosure would be harmful. If this contention is accepted, all employers should therefore supply the supplier of labour with the same information as he supplies to the provider of capital. As this usually takes the form of an annual statement of account and a report, this information should be given unless the disclosure is harmful. If this is the case, a statement to this effect should be made. The value of the employer's reports can be enhanced if they include comment on future prospects and refer to matters in which the employee has a vital interest.

In the past fifty years the working population has taken an increasing interest in international and home affairs, and through their trade unions they have shown a desire for an improvement in the relationships which exist between labour and the other contributors to production. Today the working population is better educated and more widely read than ever before. Some employers have recognized this fact, and in conjunction with the trade unions concerned are attempting to create a real partnership in industry and commerce.

# Weekly Notes

## No Par Value Shares

OVER one hundred Conservative M.P.s have signed a motion which has been tabled in the House of Commons. The motion points out that the Government accepted the principle of no par value shares as long ago as May 1956, as recommended by the majority report of the Gedge Committee. It also points out that the principle has been accepted by the Stock Exchange Council as being a way of removing the misleading impression given by shares whose real value is very different from their par value.

Legislation to give companies the right to issue no par value shares would necessarily be complicated because of the taxation repercussions. The Government would presumably prefer to wait now until the Jenkins Committee has reported, but, of course, it could call for an interim report on this topic.

## Lewisham Will Fight On

LIKE many local authorities, Lewisham Metropolitan Borough Council provides rent-free houses or flats to such officials as superintendents of baths, cemeteries or parks, and to park-keepers. The Inland Revenue have now demanded from the Council, £1,516 9s as the aggregate of sums which the Inland Revenue say ought to have been deducted from officials' salaries under P.A.Y.E. over the six years ended March 1955 in respect of rent-free accommodation. Apparently it was the Council's practice to engage officials at a stated salary and to deduct something from this salary in lieu of rent, P.A.Y.E. deductions being calculated on the net payment. The Inland Revenue argue that the P.A.Y.E. deductions should have been computed on the gross salary. A report of the Council's Finance and Rating Committee says that counsel has advised that the Revenue claim be resisted, and it is proposed to advise the Council to resist the legal proceedings accordingly.

## Schedule A Assessments on New Property

EXTRA-STATUTORY concession No. 6 as published in the 103rd Report of the Inland Revenue, and reproduced in our issue of February 4th last, was the subject of an announcement in the House of Commons on March 29th. The concession states that new or structurally altered property in England and Wales, occupied by the owner, was in the past assessed under Schedule A on the basis of the rating assessment. Since the new rating valuations came into force in April 1956 assessments have

continued to be made in figures which would have applied before April 1956—subject to the concurrence of the General Commissioners concerned. This ensures that owners of property built after 1956 are not penalized.

The Chancellor of the Exchequer was asked in the House of Commons to what extent this concession applied to property held on long leases. Sir Edward Boyle replied that the concession protected not only owners but also tenants who paid a small rent and therefore bore tax on beneficial occupation. In the case of long leases (i.e. over fifty years) the practice hitherto had been to apply the concession in all cases and to assess 'in accordance with the tone of the list'. However, instances had been found where property was let on a long lease at a rent equivalent to the full annual value, with options to the tenant to break the lease; this was in order to obtain the concession. There was no ground for the concession except to the extent that the rent fell short of the full annual value. In future therefore, in long lease cases, where the Schedule A annual value had to be determined for 1960-61 or a subsequent year, this would be based on (a) the tone of the list; or (b) the rent payable and the other terms of the lease, according to whichever basis produced the higher figure. This was the method already adopted in the case of short leases. In order to prevent hardship where basis (b) was adopted for 1960-61, the Schedule A tax for that year (but not the tax for subsequent years) would be reduced to the amount which would have been payable if basis (a) had been applied.

## The Company Law Committee

THE Stationery Office has now published the minutes of evidence of the ninth day of the public sessions of the Jenkins Committee on Company Law.<sup>1</sup> The morning was devoted to the questioning of witnesses on the memorandum submitted by the British Insurance Association, which was represented by Messrs H. A. Walters (chairman), J. B. H. Pegler (chairman of the Life Offices Association), J. F. Bunford (chairman of the investment protection committee of the British Insurance Association), H. J. Henderson (chairman of the Association's Companies Act subcommittee), L. W. Kempe, F.C.A. (secretary of the investment protection committee) and R. C. W. Bardell (assistant secretary of the Association). The Association's memorandum, which, like the other memoranda, is reproduced in an appendix to the minutes, is a long one and devotes about five pages to the accounts provisions of the Companies Act. There is a supplementary memorandum on this topic of another three pages which arose out of the oral examination of the witnesses. The Association is anxious to retain the exemption from disclosure in insurance companies' accounts of a number of things, including in particular the current market value of investments held. It is also in favour

<sup>1</sup> H.M.S.O. 5s net.

of clarification of the present obscure position regarding preacquisition profits of subsidiaries.

In the afternoon the Committee examined witnesses for the Committee of London Clearing Bankers: Sir Oliver Franks, G.C.M.G., K.C.B., C.B.E. (chairman), and Messrs F. Keighley (chairman of the chief executive officers' committee), R. G. Thornton and H. B. Lawson. The Committee's memorandum argued against a wide extension of the regulating powers of the Board of Trade, stressing that most people were honest. It defended the system of nominee holdings (where bank nominees play a large part) and argued that only a small proportion of nominee holdings arose for the purpose of concealment of true ownership. The memorandum also made a strong plea for the retention of the exemptions enjoyed by banks in relation to published accounts, and a supplementary memorandum was submitted, at the invitation of the Company Law Committee, developing this plea.

The day closed with oral evidence in support of a memorandum of the Institute of Actuaries which was devoted largely to stressing the desirability of concealment of reserves of life offices. The witnesses were Messrs J. H. Gunlake, C.B.E. (President of the Institute), F. M. Redington (immediate Past-President) and R. E. Beard, M.B.E. (honorary secretary).

### Building Society's New Directors

THE Registry of Friendly Societies issued the following announcement last week:

'The Chief Registrar of Friendly Societies, Sir Cecil Crabbe, was asked by the board of directors of the Alliance Perpetual Building Society if, in view of current difficulties with regard to the Society's affairs, he could find suitable persons who would be willing to join the board in replacement of the present directors. The Chief Registrar having made appropriate inquiries asked Sir Charles Norton (a Past President of the Law Society), Mr J. F. T. Nangle (a partner of Messrs Barton, Mayhew & Co, chartered accountants) and Mr G. E. Manson (a partner of Messrs Weatherall, Green & Smith, chartered surveyors), whether they would offer themselves for appointment to the board. After due consideration, these gentlemen consented to their names being put forward. They were duly appointed to the board [March 29th] on the retirement of the former directors. In view of the changed circumstances arising on the appointment of the new board the Chief Registrar has decided not to proceed with his proposal to make an order in respect of the Society under Section 6 of the Building Societies Act, 1960.'

On June 23rd last, the Registrar made an order under Section 11 of the Prevention of Fraud (Investments) Act, 1958, forbidding the Society or anyone on its behalf from inviting further subscriptions for shares, loans and deposits. The grounds for the order were: unsatisfactory administration of the Society; doubtful adequacy of its reserves; mortgage advances made to nominees and associates of the secretary and managing director on preferential terms.

On March 23rd the Chief Registrar gave the Society notice of his proposal to make an order applying subsection (2) of Section 6 of the Building Societies Act, 1960, the effect of which would have been to prohibit the Society from accepting any further subscriptions for shares or deposits.

The Alliance Perpetual Building Society is not in any way connected with the Alliance Building Society which has assets amounting to £76 million, and it is not a member of the Building Societies Association.

### Balance of Payments in 1960

IT was expected that the 1960 balance of payments figures would show a large deficit when they were published and this has been the case. With a deficit of £344 million, last year's outcome is the worst on paper since 1951. The overall external monetary position was adverse to the extent of £168 million compared with an adverse balance of £380 million in the previous year and a surplus of £211 million in 1958. The monetary position, however, takes into account the movement of short-term funds attracted to this country by high interest rates, in other words 'hot' money; hence the overall improvement on 1959. But the position of current and long-term capital accounts shows a notable worsening of the trading position in 1960. The adverse balance of capital account last year was £344 million compared with a surplus of £51 million in 1959, and the balance of current and long-term capital transactions together showed a deficit of £545 million compared with £444 million in 1959.

These figures are available in the latest White Paper *United Kingdom Balance of Payments 1958-1960*.<sup>1</sup> This gives a three-year trend on what are substantially revised figures. These changes in compilation have required large revisions of figures already published. They affect the estimates of both the current and capital accounts but they leave the final result, the balance of monetary movements, almost unchanged.

Taking the trading position in 1960 alone, the current transactions show a big rise in imports with a modest increase in exports and a fairly large drop in the surplus of invisible items. So far as the capital transactions were concerned, excluding special items, there was little change between the two years.

### The Burden of Taxation

THE long felt need for an authoritative international comparison of the burden of taxation has now been met in large measure by Mr L. Needleman of the National Institute of Economic and Social Research, writing in the March issue of the National Institute's *Economic Review* published last week.

Britain's position in this international field may

<sup>1</sup> Cmnd. 1329. H.M.S.O. Price 1s 6d.

come as a surprise to many, for it has often been asserted that Britain is one of the most heavily taxed countries in the world. If taxation is taken to include central and local government taxes and social security contributions, 29 per cent of the gross national product at market prices is so levied in Britain, states Mr Needleman. This proportion is quite near the European average and rather higher than that of the United States. At the head of the taxation table is West Germany with 34 per cent of gross national product absorbed in this way. Then comes Austria with 33 per cent; Finland, Norway and France with 32 per cent; Sweden 31 per cent, and Luxembourg 30 per cent. Amongst countries less heavily taxed than Britain are The Netherlands and Italy 28 per cent; United States 26 per cent; Denmark 24 per cent; Canada, Ireland and Belgium 23 per cent, and Australia 22 per cent. Japan, Greece, Portugal and Spain are shown as paying 20 per cent or less of gross national product as taxation.

Not all kinds of taxes have the same disincentive effect. If taxation is classified by direct taxes on households, direct taxes on corporations, and indirect taxes, Britain comes in the middle of a European group with medium levels of taxation in each of the three classes. Indeed, the pattern of United Kingdom taxation is nearer the average European pattern than that of any other country. Only those earning more than £10,000 a year are more heavily taxed in Britain than in any of the other countries examined in detail by Mr Needleman.

In Western Germany and Sweden, the taxation of incomes below £1,000 is harsh, in the former instance as a result of high social security contributions. For those earning between £1,000 and £10,000 a year, the United States takes away least by taxation, followed by Western Germany, Ireland, Britain and Australia. The inhabitants of Sweden are again hard hit, taxation in the £2,000 to £5,000 range being quite fierce. The taxation of joint incomes in Britain does, however, lead to comparative hardships. The tax paid in respect of the working wives of middle class and wealthy men is heavier than in almost every other country. Where the joint income of an engaged couple is more than £2,500, of which the woman earns more than £360, the couple will pay more tax if they marry than if they pool their incomes as single people.

### Financial Bulletin

THE second issue of the Bank of England's *Quarterly Bulletin*, which commenced publication last January (*The Accountant*, January 21st, 1961) conforms to the pattern of the first. There is the same outline narrative of events during the final quarter of 1960, which is nevertheless described as a 'commentary', an excerpt from a speech by Lord Cobbold, the Governor, together with a short note explaining the re-financing of medium-term export credits and a longer article expounding the nature

and significance of 'leads' and 'lags' on overseas payments. This is the second such article and it is undoubtedly informative and useful in explaining to the non-specialist certain technical aspects of the financial scene. If, however, it is the intention that these publications should have a circulation beyond the small circle of specialists in monetary policy, then the style employed in the quarterly commentaries needs improving and technical jargon eliminated. How many uninformed readers could, for instance, explain 'covered interest arbitrage'? In view of the international role of sterling, an early expository article on the foreign exchange market would be very useful. There are, in fact, some references to the use of forward exchange cover in the article mentioned on 'leads' and 'lags'; it is hoped that more will be done in this way.

The commentary covering the period October-December 1960 deals with the two changes in Bank rate, the first of which is described as 'desirable on domestic grounds' and the second as 'desirable on external grounds'. The account of the hectic period in the London bullion market when the price of gold jumped in anticipation of a change in the dollar price of gold is largely descriptive and, in particular, disappointingly sketchy on official policy and action at the time. The analysis of banking statistics, on the other hand, is thorough and the available figures indicate that whereas the inflow of private overseas money during the third quarter of 1960 probably reached some £250 million, the total inflow during the final quarter of the year was little more than £100 million. There was in consequence a comparable reduction in the rate of growth in non-official overseas sterling holdings and the caution of overseas investors towards sterling was fully matched by a contraction in domestic demand for gilt-edged.

One short excerpt from Lord Cobbold's recorded speech deserves wider reproduction: 'Monetary policy', he says, 'cannot cure all ills and it is a great mistake to expect it to carry loads which should be carried on other fields of Government policy'. It is to be hoped that Mr Selwyn Lloyd will keep this thought in mind on April 17th.

### Vacancies and Unemployment

IT is a generally accepted critical point in the employment picture when the number of vacancies available becomes equal to the number of persons seeking employment. If the situation persists it usually leads to a degree of inflation. Between the middle of February and the middle of March unfilled vacancies increased to 314,000 while unemployment fell to 352,000, leaving a gap of 38,000—a very small margin indeed.

The latest issue of the *Bulletin for Industry* put out by the Treasury points out that overall the pressure of demand for labour is high and has been rising again. The fall in demand for cars and other durable goods led to a sharp rise in short-time working in the

second half of 1960, but in recent weeks the big motor-car producers have announced a return to a five-day week. The impact of the improved situation in the motor-car industry (this improvement is not as yet impressive) has been felt mainly in the Midlands and in the south of England. The regional unemployment figures, however, show that over the last year the position of areas with comparatively high unemployment has improved. This improvement in regions which are heavily dependent on capital goods industries is a corollary to the sustained boom for industrial capital equipment, a boom which to judge from the

latest reports from the machine tool industry, continues unabated.

The noticeable feature about the growing shortage of labour this time has been the suddenness of the change. Only a few weeks ago there was much talk of short-time: now it is all of a labour shortage. The fact is that the recession over the winter months was largely confined to the consumer durable goods industries. Now the motor-car industry in particular sees a sufficiently large prospective increase in sales to lengthen the working week and the underlying strength of the labour market is openly displayed.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 71

IT'S rather impressive sometimes to study the modern breed of articulated clerk as exemplified in those cheerful specimens who come in regularly to audit our books. After all, the child is father of the man, and today's junior is the senior partner of the next generation. On the clerk's calibre depends the future prestige of the profession.

Judgment can only be a personal opinion. My own first impression used to be that the present generation was too untidy, a superficial glance showing the omnipresent check sports coats and sweaters and the ruffled bare heads. In my early days, our venerable principals sternly forbade the wearing of anything less formal than a dark lounge suit, and stylish hats were *de rigueur*. I can still remember the senior partner's son, still a second-year clerk, in outraged protest in the office vestibule, condemning the sartorial ignorance of a colleague who had appeared in a striped shirt, spotted tie, and one of those Glen Tweed suits. 'Quite improper', he called the *ensemble*. Today our deputy-chairman wears the same garb regularly, sporting an untidy coloured handkerchief in his breast pocket as well, and he is considered well dressed. Some day I must explain his lack of discernment to him. . . .

But those articulated clerks - casual they are today, but their reactions seem much keener. They are less naïve, less easily impressed by tradition or seniority, more sophisticated in the ways of the business world. Our auditor is a shrewd strategist: one of his practices is to attach each junior to a specific senior for twelve consecutive months. The senior then has a direct personal interest in coaching his assistant, and a good morale develops. I drop in to have a chat with the visitors occasionally, and their alert scrutiny and searching questions mark a very high standard.

In my younger days we received much less attention. Many of our seniors scarcely deigned to explain matters to us, and some just left us alone. I remember Ned and I, both nearly at Intermediate level, being sent to tot sales ledgers in a wholesale agency, huge multi-coloured pages packed with small figures, and by the week-end one's brain was bemused. Four weeks we spent, totting unceasingly, and only saw the senior the morning he brought us to the job. We never saw the general accounts or the supporting documents, so our interest in our work was limited.

Ned, by the way, had an unusual approach. He read the papers, telephoned his friends, wrote numerous letters . . . yet always completed his stint of three months tested out of twelve. One day he explained the secret. 'Get wise to yourself, brother,' he lectured me. 'It's mid-March now and we're checking the year ended last December; these accounts are all checked and proved quarterly. Is it likely you'll find an error in last April's tots?' He finished totting the total column and with a carefree grin initialled every one of ten analysis columns for eleven pages, unchecked.

I don't know if his deductive reasoning or my earnest docility were more creditable, but today the clerks attend promptly twice yearly and do systematic sample-checking. Their senior, a quiet but hawk-eyed young man, works in the same room and has the leader's gift of inspiring his team. They work on sales books, debtors ledgers, cash-books and control account as an integrated unit, and seem to understand their objective all the time.

Basically though, the breed doesn't change. One cherubic, curly-haired character was missing from work a long, long time on Grand National day, but I noticed he had still checked all the cash-books for the first half of 1960 that day. At least, he returned them copiously ticked, and his expression was angelic; somehow, he looked just like Ned. I was developing a rather cynical approach to him, I fear, perhaps being a little too patronizing, when he turned the tables suddenly. He just produced the papers of last November's Intermediate exam., which he had successfully surmounted, and asked how I'd cope with some of the problems. That cut me down to size. From the gleam in his eye he seemed to think so too.

# Finance and Commerce

## Norcros

IN terms of net assets, Norcros Ltd, the industrial holding company, has doubled in size during the year of the accounts to November 30th, 1960, which are the subject of this week's reprint. Five acquisitions were made: in March, Blythswood Shipbuilding Co Ltd; in June, Rotiss-O-Mat Ltd, which makes the rotisserie equipment used for roasting chicken etc.; in July, Lantigen (England) Ltd, a name associated with oral vaccine and other pharmaceuticals; in October, Fisher Clark & Co Ltd, tag and label manufacturers and printers; and in November, 90 per cent of the capital of Harold Wood & Sons Ltd, bulk liquid haulage contractors and commercial vehicle coachbuilders.

A stage has now been reached, says Mr John V. Sheffield, the chairman, in his annual review, where member companies can be suitably grouped into divisions of broadly associated activity. Thus 35 per cent is in engineering, 24 per cent in pharmaceuticals, domestic supplies and food processing equipment, 25 per cent in specialized papers, printing and labelling, 12 per cent in commercial transport and 4 per cent in raw materials. One of the companies in the group at the beginning of the year is Jensen Motors which, incidentally, is being lined up for the assembly production of the Volvo sports car.

While growth at this rate continues, it is inevitable that shareholders lose much of the usefulness of the comparative figures except in so far as they indicate expansion of interests. But also to be remembered is the fact that owners of the businesses acquired become substantial shareholders in the holding company.

## Provision of Funds

Norcros, as a foreword to the report explains, provides a means by which the private owners of the businesses acquired 'can avoid the destruction of their life's work by penal taxation and death duties, and yet retain an active interest by continuing to manage their companies, and by investment in their parent company of which they become active participating members'. The subsidiaries have been selected from a wide cross-section of industry and prior to incorporation within Norcros were controlled and managed by their founders or their families.

Mr Sheffield admits that industrial holding companies have been the subject of 'extensive Press comment' and in some cases there is unfortunately

room for comment. Sir Harold Gillett, M.C., F.C.A., who has become the new chairman of Arusha Industries Ltd, has recently revealed to shareholders something of the difficulties to be faced with £1,250,000 of bank loan to eliminate. As a result of the financing of various recent acquisitions, the company is in a condition of 'severe financial stringency'.

In the case of Norcros, Mr Sheffield says that great importance is attached to past profits and growth prospects and the provision of funds for expansion is greatly facilitated by membership of the group.

## Changed Stock Basis

THE 1960 accounts of W. J. Noble & Son Ltd, of Manor Box Works, Pudsey, Yorks, contain an item of £2,409 which results from a change in the basis of stock valuation. It runs: 'Increase in stock valuation, January 1st, 1960, consequent upon change in basis of valuation of finished goods and work in progress - £4,700; less income tax and profits tax appropriate thereto - £2,291' leaving £2,409 carried out.

Mr G. W. E. Craven, the chairman, says that new costing and estimating systems have been adopted, and the stock-in-trade has been valued at the lower of cost or net realizable value in accordance with the recent recommendations of The Institute of Chartered Accountants in England and Wales.

The stock figure actually appears in the balance sheet at £118,580, compared with £72,373. The increase was principally due to approximately six months' delay between orders and deliveries of board and the company's need to maintain substantial finished stocks for some of its customers. There appears to be no likelihood of any improvement in board deliveries in the immediate future, says Mr Craven.

## Mechanization

ONE of the problems of the age is the relief of hardship caused by mechanization. Mr Peter Runge, chairman of the West Indies Sugar Co Ltd, reports compensation amounting to £93,000 to alleviate distress due to redundancy when mechanization of the handling of the sugar crop was introduced. For many reasons, it was decided to make one 'sweeping change', going over to complete mechanical loading and replacing the company's railway system with road transport, and making 'a number of adjustments' at the factory.

One can imagine the outcry which Mr Runge admits was natural 'because for some hundreds of years, cane has been cut and loaded by hand and the sugar industry has been regarded as a prolific employer'. 'It is not easy', he adds, 'for people who have become accustomed to frequent wage increases to grasp that there is a limit to the wage bill an export industry can face.'



## NORCROS GROUP ACCOUNTS

## NOTES ON GROUP PROFIT AND LOSS ACCOUNT

## 1. Companies consolidated with Norcros Limited

Owning throughout the year:  
The Associated Company Limited  
Breck & Company Limited  
C.E.C. Limited  
Hygena Limited  
Jensen Motors Limited  
S. Hlaw, Son & Sons Limited  
Neil and Spencer Limited  
Norcros Limited  
Relay Vision Limited and associated companies  
Temperature Limited and Island Craft Limited  
Tropics Limited  
John Tinsley Limited  
Union Fibres Limited  
Wescros Limited

Acquired during the year:  
Blythwood Shipbuilding Company Limited—acquired 25th March, 1960, including profits from that date.

Rotiss-O-Mac Limited—acquired 10th June, 1960, including profits from 19th May, 1960.  
Langtign (England) Limited—acquired 29th July, 1960, including profits from 10th May, 1960.  
Fisher Clark & Company, Limited—acquired 27th October, 1960, including profits from 11th May, 1960.  
Harold Wood & Sons Limited—acquired 18th November, 1960, including profits from 21st July, 1960.

2. Taxation  
Full provision has been made in these accounts for taxation assessable on profits to date, including income tax 1961/62 due 1st January, 1962. The charge of £756,816 (1959—£524,876) for income tax includes, in the case of the five subsidiaries acquired during the year, income tax on the amounts of the post-acquisition profits assessable 1961/62.

3. Profit Attributable to Norcros Limited  
£569,112 (1959—£522,790) of the Group profit for the year of £937,284 (1959—£790,709) is dealt with in the accounts of Norcros Limited.

4. Transfer to Capital Reserve  
The amount of £155,546 (1959 nil) transferred to Capital Reserve represents post-acquisition profits of certain subsidiary companies acquired during the year which, under the relative share sale agreements, are not available for distribution by the companies concerned until 6th April, 1967.

## NOTES ON GROUP BALANCE SHEET

5. Fixed Assets  
(i) Land (including mineral rights) and buildings:  
At cost £ 1,083,599  
Less: Accumulated depreciation 109,499  
£ 974,100

(ii) Plant and other equipment:  
At cost £ 2,775,508  
Less: Accumulated depreciation 1,094,406  
£ 1,681,102

(iii) Motor vehicles:  
At cost £ 1,839,789  
Less: Accumulated depreciation 1,056,365  
£ 783,424

(iv) Television sets on rental:  
At cost £ 690,706  
Less: Accumulated depreciation 350,635  
£ 340,071

(v) Patents, selling rights and goodwill at cost, less amounts written off 6,646

(vi) Trade investments at cost, less provision of £3,000 (1959—£12,750) 4,745,996  
Total net book value, per Group Balance Sheet £ 4,751,347

No specific provision for the amortisation of mineral rights has been made in these accounts, but £10,000 (1959—£10,000) has been transferred from profits to loan stock redemption reserve.

## NORCROS GROUP ACCOUNTS

## GROUP PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED 30TH NOVEMBER, 1960

including profits of five subsidiary companies from dates shown in note 1

Year ended 17 months ended  
30th November, 30th November,  
1960 1959

Profit from Trading £ 1,845,772 1,359,970

After charging:

Remuneration of Directors of Norcros Limited:

Fees as Directors £ 3,225 3,691

Other emoluments £ 31,264 22,044

Depreciation £ 34,489 25,735

Audit fees £ 397,697 255,131

1959—£525 10,041 8,439

Loan interest £ 24,288 25,325

£466,515 £314,630

Add: Income from investments 45,982 2,500

Profit before Taxation 1,891,754 1,362,470

Less: Estimated U.K. taxation based on above profit (see note 2) 756,816 424,878

Income tax 231,089 144,708

Profits tax 20,463 26,561

Amount set aside for taxation equalisation 1,008,370 596,147

Less: Relief in respect of investment allowances 60,313 24,386

Profit after Taxation 948,057 571,761

Less: Minority shareholder's interest therein 943,697 790,709

Profit attributable to Norcros Limited (see note 3) 6,413 790,709

Less: Dividends, less income tax on: 23,196

Norcros Limited, preference shares 42,301

Norcros Limited, ordinary shares: 192,873

Interim of 11% 150,614

Proposed final of 15% 343,487

£433,091 366,683

Retained Profit 475,392 424,026

Add: Unappropriated profit brought forward 461,892

Add: Taxation provisions no longer required 180,840

Depreciation overprovided in previous years 21,848

Refund of Ironstone Restoration contributions 3,579

£547,826 202,688

Less: Transfers to reserves: 1,009,718

Mortgage debenture redemption 12,500

Loan stock redemption (see note 5) 10,000

Capital (see note 4) 155,546

General 200,000

£378,046 122,500

Unappropriated Profit carried forward, per Group Balance Sheet £631,672

£504,214

## NORCROS GROUP ACCOUNTS

## NOTES ON GROUP BALANCE SHEET (continued)

6. Stock and Work in Progress instalments on contracts of £2,064,747 (1959—£157,019) include instalments on certain contracts estimated to be in excess of expenditure by £436,000 (1959 nil). An amount of £32,000 (1959 nil) has been taken to the credit of Group Profit and Loss Account on account of the anticipated profit on these contracts.

## 7. Loan Capital

6½% First mortgage debenture stock, 1977 of Hygena Limited .. .. £ 90,000  
7% Mortgage debenture of Jensen Motors Limited .. .. 110,000  
5½% Unsecured loan stock, 1976 of Norfincs Limited .. .. 167,625  
6% Unsecured notes, 1966 of Tickpores Limited .. .. 12,000  
14,000

The mortgage debenture stocks of Hygena Limited and Jensen Motors Limited are guaranteed by Norcros Limited.

## 8. Capital Reserves

Share premium account: £ 1959 £  
Balance at 1st December, 1959 .. .. 689,622  
Premium on ordinary shares issued during the year .. 1,689,863

Less: Amount applied in paying up in full 5,189,500 ordinary shares of 5/- each .. .. 1,297,375  
Issue expenses written off .. .. 30,035

per Norcros Limited Balance Sheet .. .. 1,052,075

Mortgage debenture redemption reserve .. .. 25,000

Loan stock redemption reserve .. .. 42,375

General—

Balance at 1st December, 1959 .. .. 9,160

Transfer from profit and loss account (see note 4) .. 155,546

Profits, less losses, on sales of investments by a subsidiary company .. .. 69,680

Refund to a subsidiary company of Ironstone Restoration contributions in respect of periods prior to its incorporation .. .. 4,179

per Group Balance Sheet .. .. 238,565

£1,358,015

£743,657

## 9. Capital Commitments and Contingent Liabilities

(i) Outstanding contracts for capital expenditure not provided in these accounts totalled approximately £545,000 (1959—£112,000).

(ii) Contingent liabilities at 30th November, 1960, in respect of guarantees and bills discounted amounted to approximately £114,000 (1959—£45,000).

## 10. Subsidiary Companies' Accounting Dates

All subsidiaries made up accounts to 30th November, 1960, with the exception of Jensen Motors Limited, which made up its accounts to 31st July, 1960. The Directors consider it undesirable for Jensen Motors Limited to alter its accounting date to coincide with that of Norcros Limited as its connection with the motor trade makes it impracticable.

## 11. Foreign Currency

Foreign currency items have been converted as follows:

(i) Fixed assets and depreciation thereon at rates ruling when the respective assets were acquired.  
(ii) Current assets and liabilities at rates ruling at 30th November, 1960.

## NORCROS GROUP ACCOUNTS

## GROUP BALANCE SHEET AT 30TH NOVEMBER, 1960

Fixed Assets (see note 5) .. .. £ 1959 £  
4,751,347

Goodwill being excess of purchase price over book value of net assets of subsidiary companies, at dates of acquisition .. .. 2,075,745

Current Assets .. .. 1,083,010

Stock and work in progress (see note 6) .. .. 1,757,223

Less: Instalments on contracts .. .. 157,019

Debtors and prepayments .. .. 1,600,204

Quoted investments (market value 1959—£7,071) .. .. 1,830,832

Tax reserve certificates .. .. 7,285

Deposit .. .. 41,100

Bank balances and cash .. .. 25,000

312,906

3,817,327

Less:

Current Liabilities and Provisions

Creditors and accrued expenses .. .. 1,398,999

Current taxation .. .. 637,684

Amounts payable under hire-purchase contracts .. .. 235,519

Proposed final dividend on ordinary shares, less income tax .. .. 254,565

3,389,285

1,920,741

8,747,833

4,593,255

467,268

39,491

506,759

4,086,496

409,125

£3,677,371

1,203,233

7,544,600

379,625

£7,164,975

## Future Taxation

Income tax 1961/62, due 1st January, 1962 .. .. 911,320

Taxation equalisation .. .. 291,913

3,389,285

1,920,741

8,747,833

4,593,255

467,268

39,491

506,759

4,086,496

409,125

£3,677,371

1,203,233

7,544,600

379,625

£7,164,975

1,942,800

1,000,000

1,229,500

743,657

200,000

504,214

1,447,871

2,677,371

3,677,371

—

£7,164,975

£3,677,371

representing:

Norcros Limited Issued Preference Capital .. .. 1,000,000

Norcros Limited Ordinary Shareholders' Interests

Issued ordinary capital .. .. 1,229,500

Capital reserves (see note 8) .. .. 1,358,015

Revenue reserves: .. .. 200,000

General .. .. 504,214

Unappropriated profit .. .. 1,447,871

2,389,687

5,160,462

7,103,262

61,713

£7,164,975

£3,677,371

Minority Shareholder's Interest .. .. —

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## TOTAL NORCROS LIMITED SHAREHOLDERS' INTEREST

Minority Shareholder's Interest .. .. —

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## CITY NOTES

STOCK-MARKETS have continued to show commendable cheer in the face of political and economic news which seems to alternate, with some regularity, from encouraging to slightly depressing.

The next big hurdle for the market is, of course, the Budget in just over a week's time. On the showing of the Exchequer returns, the Chancellor will not have much to give away, but the City is not, on the other hand, fearing any shocks.

There seems to be an opinion that the Chancellor will have to provide some incentive for exports, and also some further encouragement for production and investment, though at the same time without adding too much to purchasing power. The extent to which this is achieved will naturally find reflection in markets, but from the present showing, few seem to anticipate that the Budget statement will provide any need violently to change equity values.

For this reason, steady buying support for leading shares in virtually all the principal equity sections has been seen. Stock is still by no means plentiful and it is likely that even a small amount of switching, when the new Trustee Investments Act comes into force, could assist prices still further.

At the same time there has been little support for the languishing gilt-edged market and here there is little disposition to look for any lowering of interest rates, either as part of the Budget plan or of general monetary policy. Growth, rather than return, is still the major factor in investment selection.

## RATES AND PRICES

Closing prices, Wednesday, April 5th, 1961

Tax Reserve Certificates: interest rate (26.11.60) 3%

## Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

## Treasury Bills

Jan. 27	£4 3s 370d%	Mar. 3	£4 8s 1041d%
Feb. 3	£4 3s 446d%	Mar. 10	£4 9s 954d%
Feb. 10	£4 6s 056d%	Mar. 17	£4 9s 857d%
Feb. 17	£4 7s 763d%	Mar. 24	£4 9s 846d%
Feb. 24	£4 7s 1185d%	Mar. 30	£4 9s 841d%

## Money Rates

Day to day	3-4½%	Bank Bills	
7 days	4½-4½%	2 months	4½-4½%
Fine Trade Bills		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

## Foreign Exchanges

New York	279 11 7	Frankfurt	1110 7 11 1
Montreal	276 3 8	Milan	1739 1 40
Amsterdam	1005 3 8	Oslo	1998 1 99 1
Brussels	13972 3 8	Paris	1371 1 1
Copenhagen	1933 3 8	Zürich	1209 1 1

## Gilt-edged

Consols 4%	63 3	Funding 3% 59-69	81 3 xd
Consols 2½%	42 1	Savings 3% 60-70	79 1
Conversion 5½% 1974	95 1	Savings 3% 65-75	71 1
Conversion 5% 1971	92 1	Savings 2½% 64-67	83 1 xd
Conversion 3½% 1969	84 1	Treasury 5½% 2008-12	91
Conversion 3½%	55 1	Treasury 5% 86-89	85 1
Exchequer 5½% 1966	99 7	Treasury 3½% 77-80	72 1
Funding 5½% 82-84	96 1	Treasury 3½% 79-81	71 1
Funding 4% 60-90	87 3 xd	Treasury 2½%	40 1
Funding 3½% 99-04	62 1	Victory 4%	95 1
Funding 3% 66-68	83	War Loan 3½%	57 1

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Research and the P. D. Leake Trust

SIR, - My attention has been drawn to Mr Kenneth S. Most's letter in your issue of February 18th, in which he points to the crying need for a greater amount of systematic study by accountants of business and Government problems.

May I suggest that the Leake Trustees consider adding junior fellowship awards of, say, £1,000 to their range of research grants. Such awards would give an opportunity to the many younger accountants wishing to study at postgraduate level and to advance accounting knowledge but who have not had the requisite experience to qualify for the present £2,000 fellowships.

The trustees might also consider, as I have already privately pleaded, the advantages of extending their

fellowship period from one to two years. It is very difficult in the space of a single year to pursue and write up a worth-while research project. A two-year term adds, of course, to the difficulty of the candidate who wishes to take leave from his employment or practice and to return to it again, but the one- or two-year term might, at first, be optional. Under no circumstances, however, should the Trust water down its very proper and stimulating requirement that Leake fellows are expected to participate in the regular academic life of the university to which they are appointed.

Finally, whilst I agree with Mr Most that our profession is pathetically poor in ideas, I do not agree that any of the scarce resources for research (funds or people) should be spent on 'practical problems in both business and Government'. Many of the practical expedients and conventions we now apply to real life problems are, admittedly, based on half-baked ideas; but the committees and individuals propounding them have simply not got a body of theoretical knowledge on which to draw. Our poverty is in fundamentals.

Dublin.

Yours faithfully,  
A. PAKENHAM-WALSH.

**Return on Capital**

SIR, — Like your correspondent 'Recte Numerare' (March 25th issue), I am concerned with the proper presentation of capital expenditure justifications to the board of an industrial group.

There are several variations of the 'return on capital' formula but if the exercise is chiefly concerned to put a number of proposals into an order of preference there is, I think, nothing to choose between the rival definitions.

The rule of thumb quoted was: 'The net cash gain after charging depreciation should be expressed as a percentage of half the original sum invested'. Say this shows a return of  $2x$  per cent. Under the alternative rule proposed by 'Recte Numerare' the return is divided by the whole of the original sum invested and the answer is halved to  $x$  per cent. When a choice of capital expenditure schemes is being considered it is surely unimportant whether the order of profitability be expressed as, say, 11 per cent, 15 per cent and 18 per cent or 22 per cent, 30 per cent and 36 per cent.

Where danger lies is in according an absolute value to any of these indices, either assuming that 11 per cent under one formula is less desirable than 22 per cent under the other or in comparing any of these percentages with rates obtainable on the stock exchange or elsewhere.

A more fundamental failing of all 'return on capital' measurements when used to justify capital

expenditure is that they fail to take account of the time factor when, as is usually the case, anticipated profits do not accrue evenly from year to year. This can be illustrated by comparing the following tables of earnings from two projects requiring equal capital investment:

				Project A	Project B
				£	£
Year 1	..	..	..	100	100
" 2	..	..	..	300	100
" 3	..	..	..	300	200
" 4	..	..	..	200	300
" 5	..	..	..	100	300
				<u>£1,000</u>	<u>£1,000</u>

Any variation of the 'return on capital' formula, whether earnings are taken for year 1 or at the average figure, will show the two projects to be equally profitable whereas it is self-evident that the quicker return promised by project A makes it preferable to project B.

The most useful approach to the evaluation of proposed capital expenditure is the 'Discounted cash flow' method. This is too big a subject to discuss in a letter but has been dealt with in many U.S.A. publications. It is also described quite clearly in a booklet *The Economics of Capital Expenditure* published last year by the Australian Society of Accountants.

Yours faithfully,  
PETER REYNOLDS.

London, SW1.

# Taxation Case

*A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.*

**Cansick (Murphy's Executors) v. Hochstrasser**

In the High Court of Justice (Chancery Division)

March 15th, 1961

(Before Mr Justice BUCKLEY)

*Income tax — Additional assessments — Assessments discharged — Further additional assessments — Whether these assessments competent — Whether agreement by correspondence — Income Tax Act, 1842, Sections 126, 130 — Taxes Management Act, 1880, Section 57 (10) — Finance (1909-10) Act, 1910, Section 66 (2) — Income Tax Act, 1918, Sections 125, 133 (2) — Income Tax Act, 1952, Sections 41, 50 (2), 510.*

The deceased was assessed for 1945-46 to 1948-49 in the amounts of £749, £965, £715 and £344 respectively. In 1948 additional assessments were made on him in respect of 1945-46 to 1947-48 in the amount of £50 each. On appeal against these additional assessments they were discharged. In 1955

further additional assessments were made in respect of 1945-46 to 1948-49 in the sums of £500, £500, £300 and £300. The deceased appealed against these assessments to the General Commissioners who varied them, namely, 1945-46 to nil, 1946-47 to £1,000, 1947-48 to £1,000 and 1948-49 to £500. The deceased died in 1956.

It was contended on behalf of the appellant (1) that in respect of 1945-46, 1946-47 and 1947-48 as additional assessments were made in 1948, there was no power to make the further additional assessments under appeal; (2) that in respect of 1946-47 and 1947-48 the income in question was finally determined as the result of the appeal against the original additional assessments; (3) that the correspondence with the Inspector of Taxes disclosed an agreement within Section 510 of the Income Tax Act, 1952.

*Held:* (1) there can be more than one discovery within Section 125 of the Income Tax Act, 1918 (Section 41 of the Income Tax Act, 1952); and that the second set of additional assessments was competent; (2) that the making of those additional assessments was not barred by Section 133 (2) of the Income Tax Act, 1918 (Section 50 (2) of the Income Tax Act, 1952); (3) that the correspondence did not disclose an agreement within Section 510 of the Income Tax Act, 1952.

## SCOTTISH INSTITUTE'S ANNUAL GENERAL MEETING

The annual general meeting of The Institute of Chartered Accountants of Scotland was held in Glasgow on March 29th, with Mr. Alexander McKellar, C.A., President, in the chair.

The admission to the Institute of 151 new members, whose names are shown at the end of this report, was approved and following the adoption of the accounts of the Institute for 1960 and the annual report of the Council for 1960-61, Mr McKellar delivered his presidential address.

### President's Address

In presenting the annual report, the President said that, going on the not unreasonable assumption that everyone present had read it, his remarks would be both selective and brief. He confessed that to him, it made rather dull reading when compared with reports for recent years in that there were no highlights or resounding successes to record.



Mr Alexander McKellar

Nevertheless it had been a most arduous year and his thoughts and hopes were that some of the matters which had been put in train that year would in the future redound to the credit of the Institute.

One of the main activities of the year had been the completion of the memorandum of evidence for submission to the Jenkins Committee on Company Law Amendment. He thought they would all agree that it was a first-class document. Since the report had been prepared, oral evidence had been given and he would like not only to thank but to congratulate Mr Lister and Mr Dewar on the excellence of the evidence which they had given.

There had been a tremendous amount of work in connection with the introduction of the new scheme of examination and training, and he paid tribute in that connection to the Examining Board, the Apprentices (Policy) Committee, the Apprentices (Applications) Committee and the Universities Liaison Committee. Owing to their efforts, the new scheme had been made to work very smoothly and they were all hoping for great things from it.

They had been doing a good deal with regard to recruitment of the right quality of apprentices.

The Institute's relationships with overseas bodies had not merely been maintained, but had been extended during the year for the purpose of improving the status of the Institute in the world of accountants.

Continuing, the President said:

'It is not unusual for Presidents to take this opportunity to make a statement on a particular problem which is of interest to our members, whether they be in practice or in industry. Today, instead of selecting a particular problem,

I propose to make some general observations, emphasizing that any views I may express are entirely my own or are at least my responsibility, and that neither the Institute nor the Council are committed in any way with regard to them.

'One of the many deficiencies from which I suffer is that I was never taught Latin, but I did at an early stage learn of the words *Quo Vadis* and, using these words in a different sense from what I then understood, I propose to use them today as the tag on which my remarks may hang, and to centre them round the related subjects of the Institute and the profession of accountancy.

'Firstly, then, the Institute. Up to less than ten years ago we had three separate bodies of C.A.s in Scotland and to a very large extent they lived in three small vacuums. Finally, and it took nearly one hundred years, wisdom prevailed and the Scottish Institute as we know it today came into being. The great wisdom of that step requires no emphasis and if it had not been taken, I think it is not an utterly fanciful thought that today there might not have been a separate body of chartered accountants in Scotland. After all, we have seen in the interval the integration of the incorporated accountants who formed a very powerful body, and numerically very much larger than our own.

### New Accountancy Bodies Abroad

'We must not fail to recognize, however, that the achievement and the maintenance of a separate existence is not sufficient, it is not an end in itself. We must remember that approximately one-half of our members live their lives and earn their living furth of Scotland and that this position *could* continue in the future, but there is nothing automatic about this. There is no certainty that it will continue in the future. The Scottish Institute has taken its place in the councils of the world - something that its three constituent bodies could never have done or been allowed to do - and by so doing the status and position of our members outwith Scotland have so far been protected and secured. We would be quite foolish, however, and utterly lacking in vision if, as an Institute, we now "lay back on our oars". The "wind of change" is not merely a political reference confined to a particular locality. In the new countries of the world, and in some of the older ones, new accountancy bodies have been formed or are in the course of formation and they invariably have a strong national bias; and so, whereas in the past the Scottish C.A. had more or less automatic recognition wherever he went, the same is not true today and the position may well deteriorate in the future - and I don't mean the distant future. I am sure that everyone in this hall will agree, therefore, that our Council is wise in taking action either directly or jointly with other bodies, in relation to these developments in other countries and in doing everything possible to secure the best possible recognition for our members who are at present abroad and for those who may decide to go abroad in the future.

'The problem of recognition for our members abroad has, of course, another side to it. It is a question of a *quid pro quo*, and here I am back to my Latin again! The possibility is at present recognized in Section 161 of the Companies Act, 1948, whereby the Board of Trade may grant recognition for appointment as auditor to anyone who they think has a sufficient qualification. That right may not have been widely exercised in the recent past, but what if it were to be in the future?

'In Scotland, I think it is true to say that whether we are in practice or wishing a post in industry, we have not been greatly worried by competition from members of other accountancy bodies, and even today there is no fear in our hearts, and rightly so; but the position could change and this leads me directly to my second point.

'I do not believe that merely because we are Scottish, or hold a Scottish qualification, we have any divine rights in the matter of appointments. We must make ourselves worthy if we are to hold a place in the sun. I can testify from my personal experience that our new scheme of training – the Lister scheme – has had a tremendous impact on the accountancy world and as an Institute we have acquired a wonderful kudos from it. So much for our system of training. But what about those of us who are what is termed "qualified". Time was when I think it might fairly have been claimed that the C.A. apprenticeship enabled you to deal with any business problem which was likely to arise. Is this true today? I venture to suggest that neither five years' training, nor any greater number which could be suggested, could ensure that any one person was able to cope with all the complications of modern business, the tremendous developments in the field of science, the new techniques for management etc.

'It is said that there are two classes of persons who find problems easy: those who know the answers and those who do not realize there is a problem; and if we are not in the first category, we certainly should not allow ourselves to be in the second. A lot of us may feel that we are in the "in-between" stage, recognizing that there is a problem but doubting our ability to provide the answer; and I wonder at times if we are not being a little too modest. After all, those of us who are on the job, whether as auditors or as officials of a concern, have often a far better appreciation of the problem and of its solution than an outsider who is brought in for a brief assignment. And let those of us who are in practice never forget this – we are chartered accountants not chartered auditors. Auditing may be the "bread and butter" of a professional practice but in itself it is largely a negative function, and I don't like being negative. If we feel that we do not have sufficient knowledge from our training and business experience, let us take advantage of the post-qualifying facilities which the Institute provides by way of E.D.P. courses, summer schools, management discussion groups and so on, and let us not despise, even in our advanced years, some personal study and application. Let us never feel smug or be content with the knowledge we have acquired and think we have nothing more to learn.

'If we can take the attitude which I suggest, then I feel that the Scottish C.A. can and should be able to make an increasingly valuable contribution to the business world and, I say no more than this, I am sure his labour will not go unrewarded. I feel that a considerable volume of work which at present is placed with consultants could and should be done, and would be done better, by C.A.s whether in practice or as executives.

'If, however, a problem is too vast or complex for us to

cope with, then it is our duty in whatever sphere we find ourselves, to do our best to ensure that the proper type of consultant is engaged. If we fail to do this, the selection may be wrong.

'My remarks may perhaps be summed up in this way. The Institute must do everything possible to maintain its honoured place in the world and we, the members of the Institute, must likewise make every effort to equip ourselves so that we can make our greatest contribution in whatever sphere of influence we may find ourselves.

'And now, two final words. In referring to negotiations with other accountancy bodies, let me say that there is no suggestion, not even a thought, of any further integration or amalgamation. I am quite sure that if we carry on as we are, Scotland can maintain a rugged independence. Further, let me say this. I am not attempting to debase the C.A. qualification in recognizing properly qualified management consultants.

'Having expressed these general thoughts I return to my immediate task and now move that the report of the Council of the Institute be adopted and I ask the Vice-President to second this motion.'

The Vice-President seconded the motion.

The motion for the adoption of the report was then put to the meeting and carried unanimously.

### OFFICE-BEARERS FOR 1961-62

As announced in Weekly Notes in last week's issue, Mr Graham A. Usher, M.B.E., T.D., C.A. (Edinburgh), was elected President for 1961-62 and Mr James C. Stewart, C.A. (Glasgow), was elected Vice-President.

Members of the Council for 1961-62 were elected as follows:

*Members practising in Scotland:* Mr T. S. Aitchison (*Hawick*); Mr J. M. Cowie (*Glasgow*); Mr J. A. Crawford (*Edinburgh*); Mr G. D. H. Dewar (*Glasgow*); Mr E. C. Finlayson (*Aberdeen*); Mr F. S. Gamley (*Edinburgh*); Mr James R. Gellatly (*Dundee*); Mr John Grant (*Aberdeen*); Mr William Halliday (*Glasgow*); Mr Robert Kemp (*Glasgow*); Mr Alexander Martin (*Inverness*); Mr W. L. Milligan (*Edinburgh*); Mr Festus Moffat (*Falkirk*); Mr Andrew Rintoul (*Glasgow*); Mr J. M. Ritchie (*Edinburgh*); Mr R. J. Scott (*Glasgow*); and Mr W. Forster Simpson (*Dundee*).

*Members practising in the United Kingdom outside Scotland:* Mr F. Booth (*London*) and Mr T. G. B. Matheson (*London*).

*Members not in practice:* Mr John Black (*London*) and Mr I. W. D. Macdougall (*Glasgow*).

## ADMISSIONS TO MEMBERSHIP

*One hundred and fifty-one new members were admitted to the Institute as follows:*

Aiton, A. K., Glasgow.  
Anderson, J., Glasgow.  
Anderson, J. E. C., Lagos, Nigeria.  
Barr, S. R., Glasgow.  
Biggam, R. A., Glasgow.  
Bloy, R. H., London.  
Bolton, I. McP., Glasgow.  
Boyd, J., Musselburgh.  
Bremner, C. C., Edinburgh.  
Brough, J., Edinburgh.  
Brough, P. McL., Glasgow.  
Brown, R. J. F., Glasgow.  
Brownrigg, J. T. P., Glasgow.  
Buchanan, W. B., Johnstone.  
Burns, R. B., Paisley.  
Byrnes, J., Paris.  
Cairncross, R. E., Dundee.  
Calder, K. M., Edinburgh.

Campbell, A. F., Glasgow.  
Cann, C., London.  
Coghill, W. S., Edinburgh.  
Conway, J. R., London.  
Copeland, F. T., Glasgow.  
Cormie, W. D., Edinburgh.  
Coughtrie, S., Edinburgh.  
Cowan, I. A. McD., Glasgow.  
Cowan, J., London.  
Crichton, J., West Calder.  
Cridlan, G. R., London.  
Cullen, P. B., Aberdeen.  
Cummock, M. S., Glasgow.  
Dalgety, M. G., Dundee.  
Danskin, A. McC., Sydney, Australia.  
Denness, W. L., Kilmarnock.  
Duncan, J., Dundee.  
Easton, D. A., Medellin, Colombia.

Edington, A. P., Edinburgh.  
Findlay, J. P., Edinburgh.  
Floyd, N. G., Glasgow.  
Forrest, R. F., Edinburgh.  
Forsyth, A. R., Aberdeen.  
Fraser, I. MacL., Glasgow.  
Fyfe, A. P. McL., Edinburgh.  
Fyffe, J. F., London.  
Gairns, D. W., Glasgow.  
Gamble, C. E., Glasgow.  
Garden, K. J., London.  
Gauld, G. A., Edinburgh.  
Gibson, M. S., Glasgow.  
Gilchrist, A., Glasgow.  
Gordon, A. A. R., Edinburgh.  
Gordon, I. D., Medellin, Colombia.  
Gormly, A. G., Coventry.

Gray, R. J. C., Glasgow.  
Gullan, L. C., Aberdeen.

Hamilton, J. S., Glasgow.  
Harding, F. A., London.  
Harris, J. C., London.  
Henderson, W. M., Glasgow.  
Hewitson, C. S., Glasgow.  
Hill, J. D. M., Edinburgh.  
Hill, R. K., Glasgow.  
Howie, A. O., Glasgow.

Inglis, J. T., Edinburgh.  
Inglis, J. W., Dunfermline.

Johnston, B. W., Dundee.  
Johnston, H. M., Glasgow.  
Kemsley, A. M., London.  
Keys, T., Glasgow.

Laing, M. C. W., Dundee.  
Lessels, N., London.  
Little, W. D., Glasgow.  
Love, A. R., Glasgow.

McBain, A. G., Aberdeen.  
McConnell, R. A., Rutherglen.  
McCreath, H. M., Glasgow.  
Macdiarmid, A. H., Glasgow.  
McDougall, T. S., Glasgow.  
McFarlane, J., London.  
McGill, M., Dumfries.  
Macgregor, C., Glasgow.  
Macintyre, J., Edinburgh.  
MacKay, I. D. P., Cumbernauld.  
McKeand, J. M., Glasgow.  
McKenzie, A. M., Glasgow.  
McKenzie, H. I. McL. Glasgow.

MacLean, R. A., Glasgow.  
Macleod, R. H., Stornoway.  
McMaster, A. K., Motherwell.  
Macpherson, A. A. F., Glasgow.  
Mahon, J. F., Glasgow.  
Mair, G., London.  
Manners, J. I. M., Glasgow.  
Marcon, R. D., London.  
Marshall, E. M., Inverness.  
Marshall, J. G., Glasgow.  
Massey, A. T., Glasgow.  
Melvin, R. J., London.  
Menzies, A. W., Glasgow.  
Mieras, E. A., London.  
Mitchell, H. I., Glasgow.  
Munro, W. R., Edinburgh.  
Murdoch, G. W., Edinburgh.  
Murison, T., Edinburgh.  
Murray, L., Edinburgh.  
Murray, M. I., Edinburgh.

Noble, J., Fraserburgh.

Oakes, R. D., Glasgow.  
Oliphant, D. P., Glasgow.  
Oliver, A. B., Glasgow.

Peebles, H. B., Hucclecote.  
Peters, L. W., Glasgow.  
Phelps, D. H., London.  
Phin, P. A., Glasgow.  
Picken, R., Glasgow.  
Pirie, J. McD. S., Ayr.  
Priest, M. L., Rugby.  
Pringle, E. H., Edinburgh.

Raitt, C. J. C., Redcar.  
Reid, D., London.  
Reid, G., Aberdeen.  
Reid, N. S., London.  
Richmond, W. W., Glasgow.  
Robb, J. L., Glasgow.  
Robertson, C. E. McK., Edinburgh.

Scobie, K. C., Edinburgh.  
Scott, W. T., London.  
Smith, F. S., Glasgow.  
Snedden, D. C., Bo'ness.  
Stevenson, J., Glasgow.  
Stewart, A. N., London.  
Stothers, T., Glasgow.  
Struthers, J. H., Glasgow.  
Sutherland, D. McL., Edinburgh.

Telfer, W. L., Elgin.  
Tester, S. L. C., London.  
Thomson, A. McE., Glasgow.  
Thomson, M. G., Glasgow.  
Turnbull, J. D., Baillieston.

Wainman, D. P., London.  
Walker, D. L., Edinburgh.  
Walker, G. H. M., Aberdeen.  
Weir, I. S., Tain.  
Wexelstein, M., Edinburgh.  
White, J., Luton.  
Wilkie, A. G., Dundee.  
Wilson, D. S., Glasgow.  
Wilson, W. G., Glasgow.  
Wishart, J., Glasgow.  
Wright, A. W. F., Edinburgh.  
Wylie, A. D., Glasgow.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND MEETING OF THE COUNCIL

A meeting of the Council of The Institute of Chartered Accountants in Ireland was held in Dublin on March 23rd.

### Attendance

The President, Mr G. E. Cameron, was in the chair, and there were also present:

Messrs A. E. Dawson, *Vice-President*; John Bacon, A. S. Boyd, M. M. Connor, J. F. Dempsey, N. V. Hogan, G. F. Klingner, John Love, R. E. McClure, R. J. Neely, R. P. F. Olden, H. W. Robinson and D. McC. Watson with the *Secretary*, *Assistant Secretary* and the *Joint Secretary and Treasurer* in attendance.

Apologies for absence were submitted from Messrs H. E. A. Addy, G. A. P. Bryan, Frank Cleland, James Graham and James Walker.

### Death

The death of Patrick Joseph Foley, A.C.A., Cork, was reported and noted with regret.

### Associateship in Practice

The following members were admitted to practice:

Anthony, Patrick Raymond (Carrick-on-Suir). Downey, Maurice Edmond (Waterford). O'Brien, Jeremiah James

(São Paulo). Rennick, Patrick Noel (Dublin). Wilson, Ernest Henry David (Bel fast).

### Committees

Reports were received from the following committees:

Finance and General Purposes;  
Education and Training;  
Parliamentary and Law and Taxation.

### Company Law: Northern Ireland

Approval was given to a memorandum on the Companies Act (Northern Ireland), 1960, for circulation to members.

### Disciplinary Action

The Council received a report of the finding and decision of the Disciplinary Committee at a meeting held on February 17th, 1961.

The Committee found proved a formal complaint preferred by the Investigation Committee against Harry Clifford Davenport, A.C.A., Dublin, to the effect that he had been guilty of acts or defaults discreditable to a member within the meaning of Section 3 of bye-law 49 of the Institute's bye-laws.

The Committee ordered that Harry Clifford Davenport be excluded from membership of the Institute.



# THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

## Extracts from the Report of the Council for 1960

*The following are extracts from the report of The Association of Certified and Corporate Accountants for the year 1960 to be presented at the fifty-sixth annual general meeting to be held in the Queen Mary Hall, Y.W.C.A. Building, Great Russell Street, London, WC1, at 12 noon, on Tuesday, April 25th, 1961*

### Membership

The number of new members admitted during the year was 417; 8 were readmitted, and 238 associates were advanced to fellowship. The membership of the Association at the end of the year was 10,817, consisting of 2,536 fellows and 8,281 associates.

### Students and Graduates

The number of students and graduates on the register at December 31st, 1960, was 8,254. During 1960 there were 1,873 new registrations and 6,355 renewals; 26 students were retained on the register while undergoing national service.

### Revised Examination Regulations

The revised examination syllabus adopted by the Council in July 1959 comes into operation with the examinations to be held in June 1961. In the meantime the necessary preparatory work has been going on, certain new examiners have been appointed and a complete set of specimen examination papers under the new syllabus has been made available to tutorial institutions, lecturers and students.

During the year a number of important decisions were taken by the Joint Committee for the award of National Certificates in Commerce in connection with Ordinary and Higher National Certificates in Commerce.

It was found that the Higher National Certificate in Commerce and the Intermediate Certificate in Management Studies were working to almost the same syllabus. It was therefore decided to replace the two certificates by a single Higher National Certificate in Business Studies. As a consequence the syllabus of the Ordinary National Certificate in Commerce has been widened and the certificate renamed the Ordinary National Certificate in Business Studies. The two joint committees formerly supervising the award of the certificates have been dissolved and replaced by a new Joint Committee for the award of National Certificates in Business Studies. The Association is represented on the new committee by the Secretary.

Papers in the Ordinary National Certificate in Business Studies will henceforth be marked both at pass and credit level and it has been agreed in principle by the Association, in common with other professional bodies represented on the joint committee, that exemption from the professional intermediate examinations on a subject-for-subject basis will be given to holders of the O.N.C. in Business Studies, provided credit standard is attained.

The Council has also agreed to certain concessions in favour of boys and girls who have spent two years in the sixth form and have passed not less than two A level subjects at the G.C.E., who will now be eligible for a reduction of not more than one year in the period of practical training qualifying for membership.

### Overseas Branches

Visits from a number of overseas members have again provided the Secretary with a welcome opportunity of discussing branch and local affairs.

A new local society of the Association was formed in the Bahamas, centred on Nassau.

### Research

The Technical Research Committee, its subcommittees and panels held fifty meetings during the year.

The Taxation subcommittee continued work on two studies connected with back duty and double taxation relief and also assisted the Council in the preparation of a memorandum of suggestions on the Budget for submission to the Chancellor of the Exchequer.

The Management Accounting subcommittee also continued work on a study dealing with management accounting in the small business. It is anticipated that this will be published in the spring of 1961.

The Electronic Data Processing subcommittee has been engaged on its third study entitled *Electronic Data Processing III - the Planning and Installation of a Computer*. This also is expected to be published in the spring of 1961. Members of the subcommittee contributed papers and played a leading part in the week-end school on electronic data processing.

The Council of the Association thanks all those members who have so generously given their time to the work of the subcommittees and panels during the year.

### Penalty Provisions in the Income Tax Acts

The report of the Council for 1959 stated that the Council had submitted a memorandum to the Board of Inland Revenue setting out its views on the penalty provisions of the Income Tax Acts. The Council is pleased to record that several of the recommendations put forward were subsequently embodied in the provisions of the Finance Act, 1960.

### Memorandum to the Chancellor of the Exchequer

In anticipation of the 1961 Budget the Council prepared for consideration by the Chancellor of the Exchequer a memorandum of recommendations designed to effect improvements in the administration of the present taxation system and to relieve certain hardships to the taxpayer.<sup>1</sup>

### Company Law Amendment Committee

In the Report of the Council for 1959 reference was made to the appointment by the President of the Board of Trade of a committee under the chairmanship of Lord Justice Jenkins to inquire into the provisions and working of the Companies Act, 1948, and other related matters and to the invitation to the Association to submit evidence.

The Company Law Amendment Committee and its constituent panels and groups subsequently prepared a memorandum of evidence which was approved by the Council and submitted to the Jenkins Committee in July 1960. The text of the memorandum was reproduced in the September and October 1960 issues of *The Accountants Journal* at pages 377 and 457.<sup>2</sup> Representatives of the Association attended

<sup>1</sup> See *The Accountant*, January 21st, 1961.

<sup>2</sup> See *The Accountant*, August 13th, 1960.

before the Jenkins Committee to give oral evidence on January 20th, 1961.

The work involved in the preparation of the written evidence was both lengthy and complicated and the Council desires to record its appreciation of the services of the members of the Company Law Amendment Committee, who devoted so much time and trouble to the drafting of the memorandum and to those who subsequently appeared before the Jenkins Committee.

### Special Resolution

The Council directs the attention of members to the terms of the special resolution set forth in the notice of meeting accompanying this report.

Articles 5 and 6 specify the requirements of the Association for admission to fellowship and associateship, relatively. Under the existing provisions of these articles candidates are required to have passed the appropriate examinations and to have had not less than five years' accountancy experience of an approved type. In addition to this, however, the articles require that, at the time of application, the candidate shall still be engaged in work of that type.

In the Council's view this latter provision operates in an arbitrary way. It has sometimes prevented the Council from admitting to membership persons with ample practical experience, simply because at the time of their application their work happened to be not of a purely accountancy character, often because of promotion. The primary object of the Articles 5 and 6 is to ensure that nobody is admitted to the Association without adequate practical experience of at least five years' duration. The additional requirement that a candidate shall still be so engaged at the time of his application is neither necessary nor valuable, so long as he can satisfy the Council as to the basic requirement. The Council therefore recommends that it be deleted.

### Practising Certificates

The reports of the Council for 1956 and 1957 indicated that the Council was considering the question of issuing practising certificates and the conditions to be attached thereto, including the requirement that persons becoming members of the Association after an appointed day should not be regarded as eligible for a practising certificate without having first served under articles or for not less than thirty months in employment in the office of a practising accountant.

Consideration of the matter has continued since then and at the meeting of branch and district society representatives at Harrogate on September 20th, 1960, the President took the opportunity to announce the Council's proposals and to inform representatives of the terms of a circular which it was intended to send to all members. The circular was dispatched the same week and the text of it is given in Appendix VI. [Reproduced below.]

The proposed conditions attaching to the issue of practising certificates closely follow the lines indicated in the earlier reports and in the circular the Council explained that it wished to have the benefit of members' views on the proposals and suggested that, if branches and district societies wished to convene local meetings to discuss the matter, representation from headquarters at those meetings would be arranged. As a result a number of meetings in various parts of the country were held at which the President and Secretary, Vice-President or other members of Council were in attendance to deal with members' questions. The views expressed at these meetings seem to indicate that there is a very substantial measure of support for the Council's proposals and, in fact, no member expressed himself as being completely opposed to them, though a few suggested various minor modifications. In these circumstances the Council has decided to proceed with the proposals and members are invited to support the appropriate special resolution which is set out in the notice of meeting accompanying this report.

## APPENDIX VI

### Practising Certificates

The following is the text of the circular issued to members by the Council in September 1960:

#### Issue of Practising Certificates

(1) In the annual reports for 1956 and 1957 the Council indicated that it was examining the question of the issue of practising certificates to members of the Association in public practice and the conditions attaching thereto, including the requirements that as from an appointed day no new member should be entitled to a practising certificate or to engage in public practice, without having first served under articles or in employment in the office of a public accountant for a period of not less than thirty months. This requirement is hereinafter referred to for the sake of convenience as 'the thirty months' rule'.

(2) The Council has given prolonged consideration to this matter and is of opinion that having regard to the present organization of the profession it would be of advantage to the Association in the future to adopt the thirty months' rule, subject to proper safeguards in respect of existing members and students of the Association. As explained in paragraph 6, this would mean that the restriction would not apply to any existing member of the Association.

(3) The thirty months' rule has been an essential part of every draft Accountants Bill which has been brought forward or considered since the end of the Second World War and the principle of the rule was, in fact, adopted by the Association at an extraordinary general meeting in 1947 which was held in connection with the 1946 Bill. It is abundantly clear that as a matter of official policy it would in principle form an essential element in any legislation for the regulation of the profession which might hereafter be brought forward and the Council believes that it would be a wise step for the Association to anticipate this voluntarily. This would enhance the status of the Association and serve to minimize the distinction so frequently and wrongly drawn by the public between members of the Association and those of the other recognized bodies of accountants.

(4) Indeed, for the protection of the public and, less directly, of the profession itself, the difference between accountants holding a recognized qualification and others should be emphasized in every possible way, especially in view of the disturbing increase in advertising, solicitation and other unethical methods of attracting clients on the part of those who are not members of a recognized accountancy body.

#### Statement of the Thirty Months' Rule

(5) For the purposes of consideration the thirty months' rule may be stated as one which:

- (a) As and from an appointed day
- (b) will prevent a new member of the Association from going into practice as a public accountant
- (c) UNLESS he has served under articles of clerkship or has been employed in a responsible position on public accountancy work for a period of not less than thirty months
- (d) with a person qualified for appointment as the auditor of a company under Section 161 (1) (a) of the Companies Act, 1948 or having similar qualifications obtained outside the United Kingdom who throughout that period was himself in practice as a public accountant
- (e) such service or employment having been before or after, or partly before and partly after, admission to membership of the Association.

#### Saving for Existing Members and Students

(6) The Council proposes that, if adopted, the thirty months' rule should not apply to any person who is a member of the Association on the appointed day. Such members, if paying the subscription appropriate to a practising member, would be automatically provided with a practising

certificate without any application on their part. Other existing members would be entitled to a practising certificate on request and upon paying the subscription appropriate to a practising member; this entitlement would continue as long as they remained members of the Association.

(7) The Council would also propose to safeguard within certain limits the rights of those persons who on the appointed day are registered students of the Association. They, too, would be exempt from the operation of the thirty months' rule, but only if they complete their qualifying examinations and obtain admission to membership of the Association within a period of five years from the appointed day or such further period, not exceeding one year, as the Council in its discretion may see fit to grant in individual cases for the purpose of avoiding undue hardship. Should a registered student fail to obtain membership within the stipulated time it would not prevent him from qualifying later, but he would in this case be subject to the thirty months' rule should he subsequently wish to go into practice.

#### **Suggested Arrangements for Consideration of Proposals**

(8) The Council wishes to have the benefit of members' views on these proposals and at the meeting of representa-

tives of branches and district societies held at Harrogate on September 20th the President gave details to the delegates present. A general discussion took place and the President requested that such branches and district societies as considered it necessary should convene local meetings of members to discuss the matter during November and intimated that, where requested, he and the Secretary would endeavour to be present at as many as possible of those meetings, or failing that, would arrange for other representation from headquarters.

(9) If as a result of this it should be decided to proceed with the matter all members would, of course, be given the opportunity of expressing their views and deciding the issue in the customary way at an extraordinary general meeting to be convened in due course.

#### **Fixing of Appointed Day**

(10) It is customary in such matters to select as the appointed day a date which coincides with the first release of information to those affected, in order that no one may secure any undue advantage. The Council therefore suggests that if the proposals are ultimately implemented, the appointed day should be September 21st, 1960, i.e., the day following the President's statement to the meeting of branch and district society representatives.

## Notes and Notices

### **PROFESSIONAL NOTICES**

MESSRS E. C. BARBER & Co, Chartered Accountants, of Ibex House, Minories, London, EC3, announce that Mr COLIN JOHN QUEMBY, A.C.A., who has been a member of the staff for some seven years, has been admitted to partnership as from April 1st, 1961.

MESSRS T. & H. P. BEE, Chartered Accountants, announce that Mr W. J. SHADBOLT, A.C.A., was admitted as a partner in their Fleetwood and Blackpool firms on April 1st, 1961. Mr K. RICHMOND, A.C.A., their resident Fleetwood partner also joined their Blackpool firm on that date.

MESSRS HOLMES, PRICE & WORLEY, Chartered Accountants, of 30 Gildredge Road, Eastbourne, and at Hailsham, announce that as from April 1st, 1961, they have admitted to partnership Mr D. C. C. WATSON, A.C.A., and Mr P. VERRALL, A.C.A., who have been members of the firm for a number of years. The firm's name remains unchanged.

MESSRS IMPEY, CUDWORTH & Co, Chartered Accountants, of 48 Calthorpe Road, Edgbaston, Birmingham, 15, and Finsbury House, Blomfield Street, London, EC2, announce that Mr G. G. GOODE, F.C.A., retired from the partnership on March 31st, 1961. His services will continue to be available as a consultant. Mr I. W. WELSH, M.A., A.C.A., was admitted into partnership on April 1st, 1961. The name of the firm remains unchanged.

MESSRS MARTIN, FARLOW & Co, Chartered Accountants, of 27-28 Finsbury Square, London, EC2, announce that Mr GORDON McALLISTER, F.C.A., has been admitted into partnership as from April 1st, 1961.

MESSRS METCALFE, LILBURN & ENRIGHT, of 46 O'Connell Street, Limerick, announce that they have admitted into partnership Mr WILLIAM TREVOR MORROW, A.C.A., and Mr DERMOT FITZGERALD, A.C.A., who have been associated with the firm for some years. The style and address of the firm will remain unchanged.

MESSRS C. T. MOORE & Co, Chartered Accountants, of Adelaide House, London Bridge, London, EC4, announce that Mr CYRIL JORDAN, F.C.A., retired from the firm on April 7th, 1961. Mr V. A. SCOTT GODDARD, F.C.A., will continue to practise under the same name.

MESSRS LESLIE MUSKETT & Co, Chartered Accountants, of 20 Wormwood Street, London, EC2, announce that, as from April 1st, 1961, they have taken into partnership Mr B. D. MUSKETT, A.C.A. The practice will be continued under the same style and at the same address.

MESSRS N. N. PAMPEL & Co, Chartered Accountants, of 130 High Holborn, London, WC1, announce that Mr RONALD BASKIN, A.C.A., joined the firm on April 1st, 1961, from which date the practice will be carried on under the firm name of Messrs N. N. PAMPEL, BASKIN & Co.

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### **REVALUATION OF ASSETS**

**WORKS, FACTORIES, PLANT & MACHINERY, Etc.**

MR AGNEW G. OGDEN, F.C.A., practising under the style of JACQUES & STIRK, Chartered Accountants, of 9-11 Henry Street, Keighley, announces the admission into partnership on April 7th, 1961, of Mr J. NORMAN SUTCLIFFE, F.C.A., and Mr KEITH MARSDEN, F.C.A. Both Mr SUTCLIFFE and Mr MARSDEN served their articles with the firm. The name of the firm remains unchanged.

MESSRS PIKE, RUSSELL & Co, Chartered Accountants, of Adam House, 1 Fitzroy Square, London, W1, and Romford, announce that they have admitted Mr R. G. MOORCRAFT, A.C.A., a partner of their Romford firm. Mr MOORCRAFT will manage the Romford practice which will be conducted under the same name from Western Chambers, Western Road, Romford, Essex.

MESSRS READS, COCKE & WATSON, Chartered Accountants, of London, EC2, and Guernsey, Channel Islands, announce that they have admitted to partnership Mr W. CYRIL CANN, A.C.A., and Mr GRAHAM R. S. ELCOMBE, M.A., A.C.A., both of whom have been with the firm for a number of years. The name of the firm remains unchanged.

MESSRS WHINNEY, MURRAY & Co announce that they have opened an office at Mutual Building, Hardinge Street, (P.O. Box 30109), Nairobi, Kenya, with Mr C. C. SELBY, M.A., F.C.A., as resident partner.

#### OBITUARY

##### Gerald Osler Howard Smith, F.C.A.

We have learned with regret of the death on March 24th, in his eighty-second year, of Mr Gerald Osler Howard Smith, F.C.A.

Educated at Shrewsbury School, Mr Smith was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1903 and was elected to fellowship in 1913. His father, Howard Samuel Smith, started in practice in 1867, founding the firm now known as Howard Smith Thompson & Co, Chartered Accountants, of Birmingham. Mr Howard Smith was articled to his father in 1898, became a partner in 1905 and senior partner in 1919, which position he retained until his retirement on August 31st, 1945.

He served on the committee of the Birmingham and District Society of Chartered Accountants and was President for three years. He was also President of the Birmingham Students' Society.

Mr Howard Smith took an interest in public work being honorary secretary of the Birmingham Working Boys' Home from 1904-20; he served on the board of the Birmingham Children's Hospital from 1913-45, during which period he filled the positions of chairman of the House Committee in 1921, chairman of the Board 1922-24, chairman of the Finance Committee 1928-30 and honorary treasurer 1938-45. He was treasurer of the Church of the Messiah for ten

years and served on some of the societies in connection with the Unitarian body.

Since his retirement Mr Howard Smith had been living in a small village outside Exeter.

##### Philip Austin Leicester, LL.B., F.C.A.

It is with regret that we record the death of Mr Philip Austin Leicester, LL.B., F.C.A., senior partner in the firm of Hubert Leicester & Co, Chartered Accountants, of Worcester.

Mr Leicester, who at the time of his death was on holiday in Malta, was educated at Stoneyhurst College and was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1911 and was elected to fellowship in 1960. He was the eldest son of the late Sir Hubert A. Leicester, five times Mayor of Worcester, who founded the firm in 1881.

#### THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES Summer Courses 1961

Members of the Institute are reminded that the closing date for applications to attend the summer courses to be held at Christ Church, Oxford, next July, and Gonville and Caius College, Cambridge, in September, is April 15th.

As stated in our issue of February 11th, the Oxford course commences on the afternoon of Thursday, July 13th, and disperses on Tuesday, July 18th, and the Cambridge course commences on the afternoon of Wednesday, September 13th, dispersing on Sunday, September 17th. The titles and authors of the addresses to be given at the Oxford course are:

'Services to the private company and its members', by Mr A. B. Snow, F.C.A.

'Surtax and companies', by Mr J. S. Heaton, F.C.A.

'The problems of a group upon the acquisition of companies', by Mr R. O. A. Keel, F.C.A.

The subjects and authors of the addresses at the Cambridge course are:

'The employment of capital', by Mr J. C. Walker, F.C.A.

'Some considerations in relation to the accounting treatment of stock-in-trade and work in progress', by Mr H. W. Sydenham, F.C.A.

'What the business man expects of the practising professional accountant', by Sir Donald Perrott, K.B.E.

Group discussions and free exchange of views and experience will form an essential feature of the courses and the programmes will provide for recreation and social activities.

Application forms have been sent to members.

##### SW. LONDON DISCUSSION GROUP

The next meeting of the South-West London Chartered Accountants' Discussion Group will be held at *The Kingston Hotel*, Kingston upon Thames, on Monday next at 6.45 p.m., when the subject 'Stamp duties' will be introduced by Mr B. C. Berkinshaw-Smith, B.A., A.C.A.

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**THE LEEDS, BRADFORD AND DISTRICT  
SOCIETY OF CHARTERED ACCOUNTANTS**

Mr J. S. Heaton, F.C.A., a partner in the firm of Bottomley & Smith, Chartered Accountants, of Keighley, and a member of the Council of the Institute,



Mr J. S. Heaton

has been elected President of The Leeds, Bradford and District Society of Chartered Accountants for 1961-62. Mr Heaton gained honours in the Final examination of The Society of Incorporated Accountants in 1934, being admitted a member in 1935, and elected a Fellow in 1950. A member of the Incorporated Accountants' Research Committee from 1942 to 1952, he was elected to the Council of the Society in April 1955. He became a Fellow of the Institute and a member of the Council in 1957, following integration.

Well-known as a lecturer and an author on taxation, Mr Heaton gave evidence for the Society before the Millard Tucker Committee on the Taxation of Trading Profits and before the Royal Commission on Taxation. He is to present a paper on 'Surtax and companies' at the Institute's Oxford Summer Course this year.

Other officers elected for the ensuing year are as follows:

*Vice-President:* Mr T. W. Hibbert, F.C.A.

*Hon. Secretary:* Mr James Whitehead, F.C.A., City Chambers, Infirmary Street, Leeds, 1.

*Hon. Treasurer:* Mr T. L. Waring, B.A., F.C.A.

**THE INSTITUTE OF INTERNAL AUDITORS**

A meeting of the Birmingham Chapter of The Institute of Internal Auditors will be held on April 13th, at *The Cambridge Inn*, Cambridge Street, Birmingham, at 6 for 6.30 p.m., when Mr W. J. Collins, B.A., A.I.M.T.A., senior accountant, (mechanization) West Midlands Gas Board, will speak on 'Further thoughts on mechanization'.

**I.C.W.A. MANAGEMENT ACCOUNTING  
COURSE**

A week-end course for senior members of The Institute of Cost and Works Accountants who hold responsible posts in industry is to take place at *The Worcestershire Brine Baths Hotel*, Droitwich, next week-end, April 14th to 16th.

Three papers will be presented on the general theme of management accountancy; the first by Mr R. Warwick Dobson, C.A., F.C.W.A., will deal with the

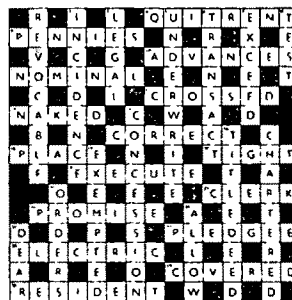
content and purpose of the subject; the second, by Mr E. B. Bishop, F.C.W.A., A.C.I.S., will consider the effectiveness of the techniques; and the third, by Mr Ian T. Morrow, C.A., F.C.W.A., will deal with future developments. Discussion groups will be formed and there will be plenary sessions at which the authors will comment on the observations of the groups.

**THE ACCOUNTANTS' CHRISTIAN  
FELLOWSHIP**

The monthly meeting for Bible reading and prayer will be held at 1.30 p.m. on Monday next, in the vestry at St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be John, Chapter 17, verses 22 to 26.

**HOLIDAY CROSSWORD: SOLUTION**

The solution to the Holiday Crossword, compiled by Mr Kenneth Trickett, F.C.A., which appeared in last week's issue, is as follows:

**TAXATION REPORTS**

Owing to rising costs of production, the publishers announce that as from April 1st, the annual subscription to *Taxation Reports* has been increased to 50s.

*Taxation Reports*, founded in 1939, are advance reports of every English and Scottish case, and are posted to subscribers as soon as possible after the transcript of his judgment has been approved by the judge and is available. Every income tax, surtax, profits tax, estate duty and stamp duty case is reported and the reports are accredited for citation in Court. Arrangements have recently been made with the object of ensuring a more speedy publication. *Taxation Reports* are published jointly by Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2, and Taxation Publishing Co Ltd, 98 Park Street, London, W1.

**CORRECTION**

We regret that the initials of Mr A. J. Anderson, F.C.A., were misprinted 'H. J.' in the footnote to the letter from Mr H. Webster, A.C.A., A.C.W.A., published in our issue of March 25th.

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## Focus on Company Structure

WHO really rules the roost in the large modern company? Is it manager-led, large investor-led, or a compromise between the two? PROFESSOR P. SARGANT FLORENCE sets out to answer this provocative question in a new book, which deals with English industrial structure and policy from 1936 to 1951.<sup>1</sup> The fifteen-year span was chosen because it represents, as PROFESSOR FLORENCE puts it, 'an average period of the tenure of single investment, as against a speculation for immediate profit'. Nevertheless, the war and immediate post-war years can hardly be regarded as normal owing to the concentration of industry, price control, rationing and, above all, inflation.

The survey is based upon a painstaking analysis, directly or indirectly, of the records of 1,700 of the largest English joint stock companies responsible for some 40 per cent of the nation's economic activity at the time. The companies were drawn from the industrial and commercial and the brewery sections of *The Stock Exchange Official Year-Book*. The 'very large' companies with a capital in 1951 of £3 million or over are all represented; the medium/large with a capital of £1 million to £3 million are represented by a sample of one in two; the smaller company with a capital of £0.2 million up to £1 million, by a duly stratified sample of one in fifteen.

The outstanding feature to be gleaned from the survey and analysis is the wide variety displayed in the structure, policy and success of individual companies. In the structure of ownership, for instance, all companies showed inequality in holdings. In fact, the degree of inequality was beyond that even of the distribution of wealth, let alone income. To use a political cliché, some companies were more unequal than others! On average, it seems, the twenty largest shareholders in the very large companies held about 30 per cent of the votes, but in a substantial proportion they held 50 per cent or more. Quite often, however, these voteholders as a whole, held only a small proportion of the total capital owing to the diluting effect of capital-gearing on the one hand and vote-gearing (either different voting rights or no votes at all for some categories of ordinary shares) on the other.

The most surprising fact was the small proportion of ordinary shares owned by the boards as a whole, and the small number of directors found among the largest twenty shareholders. For

<sup>1</sup> *Ownership, Control and Success of Large Companies*. Sweet & Maxwell Ltd, London, price £3 3s net.



the companies of all sizes and industries, excluding breweries, the average percentage of the ordinary shares owned by the total board was, in 1951, under 3 per cent and the number of directors among the largest twenty shareholders only three for every two companies. So the traditional textbook concept of the owner-manager entrepreneur is evidently something of a dead-letter in real life.

It is clear that over the period 1936-51, control was gradually being divorced from ownership so far as the very large companies were concerned. In particular, the proportion of votes in the hands of the largest twenty shareholders fell on average, and for the great majority of companies. Moreover, this fall in concentration was common to practically all industry groups and more noticeable still with growing companies, which points to the fact that when additional capital is issued, the larger shareholders appear to get less (or, at any rate, take up less) than their original proportionate stake in the company. Surprisingly enough, the proportion of shares held by directors in the very large companies fell between 1936 and 1951 and also the number of directors among the largest twenty voteholders. More and more

directors appeared to be content with holding no more than their minimum share qualification.

Apparently, the managerial revolution has also given rise to the cult of internal financing, for the proportion of the equity profit ploughed back into the business rose from one-third in the thirties to two-thirds in the fifties. Though it has to be remembered that voluntary dividend limitation was in force for most of the period and that factor, together with the inflated cost of replacement, virtually imposed a tight dividend policy upon most managements. The principle actually adopted by 1948-51 appeared to be for a company to distribute to shareholders just over 1 per cent of its net tangible assets, whatever its profits. The policy resulted in a certain stability of dividend (sometimes spoken of as 'institutionalizing' a company) but violently fluctuating plough-backs.

Since 1951, of course, the position has probably undergone further change. The threat of mergers and take-overs has not only brought about a more liberal dividend policy but has also thinned out the number of large companies which could nowadays qualify as owner-controlled.

#### COMPANY LAW COMMITTEE

## The Association's Oral Evidence

ONE of the earlier and more comprehensive memoranda submitted to the Jenkins Committee on Company Law was that of The Association of Certified and Corporate Accountants (*The Accountant*, August 13th, 1960). Last Monday, the minutes of the Association's evidence before the Committee, given on January 20th, were published.<sup>1</sup> The Association's representatives were: MR J. E. HARRIS, B.COM., F.A.C.C.A., the President, MR J. H. HILLS, F.A.C.C.A., a member of the Council of the Association and chairman of its Parliamentary Law Committee; MR P. PHILLIPS, F.A.C.C.A., and MR N. R. TRIBBLE, A.A.C.C.A., and MR J. R. SPAREY, M.A., an assistant secretary of the Association.

Referring to the recommendation in paragraph 58 of the Association's memorandum<sup>2</sup> as to the

valuation of fixed assets in balance sheets, the Chairman asked if this meant a new valuation every year. MR HARRIS said not at present; the change was meant to be the thin end of the wedge. He told MR W. H. LAWSON, C.B.E., F.C.A., a member of the Committee, that the Association was not in favour of writing up the fixed assets in the book, but rather a statement by way of note as to the value and the basis of valuation.

In answer to questions by MR LAWSON and MR LUMSDEN about share premium accounts, the witnesses confirmed that the Association agreed with the present treatment. They said that where shares are issued for a consideration other than cash, then that consideration ought to be valued and if it threw up a surplus over the par value of the shares, the excess should be shown in the accounts as a share premium. It is interesting to speculate on the repercussions of this principle under which shares issued for

<sup>1</sup> H.M.S.O. 4s net.

<sup>2</sup> *The Accountant*, August 20th, 1960.



non-cash consideration are not normally regarded as having been issued at a discount, even though it would be difficult to say that the consideration is worth less than par value.

The Chairman referred to the suggestion that the stock exchange dispensing power under Section 39 of the Act should be extended to statements in lieu of prospectuses. He said he thought it was quite a sensible one and would, of course, be looked into. He also asked whether the Association thought that the new Board of Trade regulations about take-over bids met the case. MR HILLS said that, broadly speaking, the answer was Yes, but he went through a number of minor suggestions which the Association had to make on this topic.

The Chairman recalled that the Association was strongly opposed to non-voting shares. However, it would seem from the tenor of the questions put by members of the Committee to the witnesses that the Committee were tending to

take the opposite view. The point was put that there may be many minority shareholders who would prefer to sacrifice their vote in order to acquire their shares more cheaply. There was no fundamental law about voting, voting came as part of the bundle of rights which a share represented and it was open to anyone to choose what he wanted. The disadvantages, it seemed, could largely be removed by a requirement that non-voting shares should always be so described, and not given some euphemistic name like 'A' shares. The difficulty about laying down restrictions was the complication produced where a company had a complicated capital structure. Moreover, it was already the practice in many cases to give a high voting loading to some shares, and a low one to others, although these others could not be described as 'non-voting'.

On the question of directors' interests in shares, the chairman expressed the view that Section 195 of the Act applied to options on shares.

## Taxation Aspects of Property Development

CONTRIBUTED

FROM time to time one sees advertisements put out by builders in quest of suitable sites for the erection of flats and other projects. The continued expansion of the conurbations, and the surgical operation performed by the war on their inner areas, have brought about a situation in which the tangled jungle of the larger suburban houses attracts the attention formerly bestowed on the green acres of the countryside, now increasingly out of reach of the City commuter.

In principle, the type of operation that has come to the fore in recent years has involved the substitution of compact community dwellings for the rambling habitation designed to serve a small unit of population. The operations of municipal authorities in relation to high density small houses are familiar, but private enterprise has also played a significant part in relation to the larger, more isolated houses. Traditionally, the middle-class owner is interested in owning his abode rather than renting it, while the experience of recent years has emphasized the value of property ownership as a hedge against inflation. In these circumstances, a market has come into being for the sale of flats enjoying facilities such as lifts, garages and gardens, and approached through

ways lit and cleaned at communal expense.

As may be readily surmised, the cost of high density development is substantial. The prospective purchaser of this type of flat is often possessed of substantial income rather than capital resources. In such cases the combination of high prices and limited cash resources invites recourse to secured loans, usually from building societies. While not all societies are willing to lend on the security of flats, the pattern of arrangements sometimes adopted by such societies may serve as an example. Whether the promoters and their customers have recourse to building societies, insurance companies or private 'angels', it seems likely that the greater part of the finance raised for a development project may be expected to remain tied up for an appreciable length of time. However, having regard to the complexity of intermingled rights and duties appertaining to a community literally dependent upon each other for shelter and support, it must be recognized that these sources of finance would be unprepared to make permanently available funds secured upon a type of hereditament which in England is still regarded with some measure of suspicion.

In the practical example which is set out below the background of events may be assumed to be as follows:

- (1) a group of promoters incorporate a company, Site Ltd, with a small nominal capital and lend to it the initial working capital of £10,000;
- (2) a suitable site is acquired with a view to demolition of the existing house and its replacement by a modern block of flats and garages divided into, say, thirty units;
- (3) it is estimated that total costs in this connection will amount to £150,000 and that the units will sell for an average price of £6,000;
- (4) the maintenance of services will require continuing attention and a second company, Flats Ltd, initially a subsidiary of Site Ltd, is incorporated with a trifling capital;
- (5) the memorandum and articles of Site Ltd are those appropriate to a trading company, while in the case of Flats Ltd these are drawn up on the lines of a property-holding company;
- (6) when the time comes to effect sales, ninety-nine-year leases of the units are granted to purchasers under a tripartite deed with Flats Ltd and Site Ltd. The latter receives the premium, averaging £6,000 for each lease, while Flats Ltd becomes entitled to a £20 annual ground-

rent together with a right to receive from each tenant proportionate reimbursement of the running expenses;

- (7) Flats Ltd is financed by unsecured loans of £100 from each tenant-purchaser who also takes up a founder's share in Flats Ltd;
- (8) the entire block of flats and communal property is held by Flats Ltd on a 999-year lease from Site Ltd at a rental of £600 per annum, not payable in full until the flats are all sold;
- (9) flat purchasers obtain 95 per cent advances from a building society in conjunction with re-deposits by Site Ltd.

### Highly-skilled Evolution

This sketch is brief and those with day-to-day experience of such schemes will appreciate how much has been left unsaid. In the space of a short article it is not possible to do more than outline the bare bones of what is a highly-skilled evolution. Nevertheless, the taxation principles enunciated below have a general validity independent of the particular set-up here illustrated.

The principal movements on cash account of Site Ltd may be summarized as shown in Statement A below.

#### Statement A

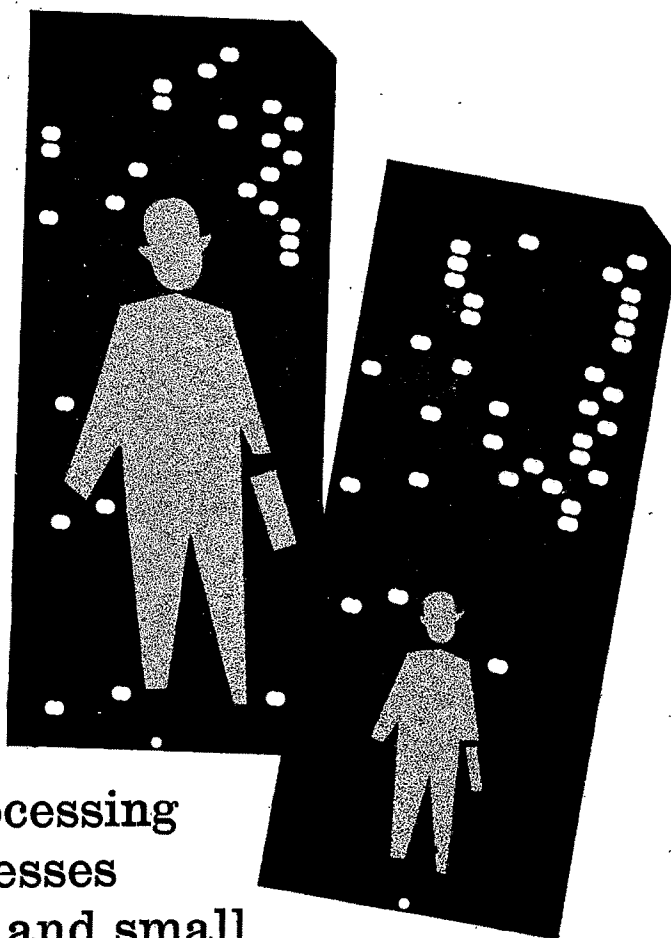
	April 1st 1955	1956	1957	1958	1959	Total
	£	£	£	£	£	£
<b>RECEIPTS</b>						
Promoters' loans .. .. .	10,000					10,000
Secured loans .. .. .	10,000	50,000	35,000			95,000
Premiums on sale .. .. .			30,000	60,000	90,000	180,000
	<u>£20,000</u>	<u>£50,000</u>	<u>£65,000</u>	<u>£60,000</u>	<u>£90,000</u>	<u>£285,000</u>
<b>OUTGOINGS</b>						
Site .. .. .	20,000					20,000
Builder .. .. .		45,000	55,000	20,000		120,000
Other items .. .. .		5,000	4,000	1,000		10,000
Re-deposits (20 per cent for first five, one-third of 20 per cent thereafter) .. .. .			6,000	4,000	6,000	16,000
Loan redemption .. .. .				35,000	60,000	95,000
	<u>£20,000</u>	<u>£50,000</u>	<u>£65,000</u>	<u>£60,000</u>	<u>£66,000</u>	<u>£261,000</u>

#### Statement B

	1956	1957	1958	1959	Total
	£	£	£	£	£
<b>LOAN INTEREST PAID</b>					
Promoters' loans (6 per cent) .. .. .	600	600	600	600	2,400
Promoters' current accounts (net dividends left on deposit) (see below) (4 per cent × £2,875) .. .. .				115	115
Secured loans (6 per cent) .. .. .	600	3,600	5,700	3,600	13,500
	<u>£1,200</u>	<u>£4,200</u>	<u>£6,300</u>	<u>£4,315</u>	<u>£16,015</u>
<b>INCOME TAXED AT SOURCE</b>					
Interest on re-deposits (5 per cent) .. .. .			300	500	800
Ground-rents - Flats Ltd .. .. .			100	300	400
			<u>£400</u>	<u>£800</u>	<u>£1,200</u>



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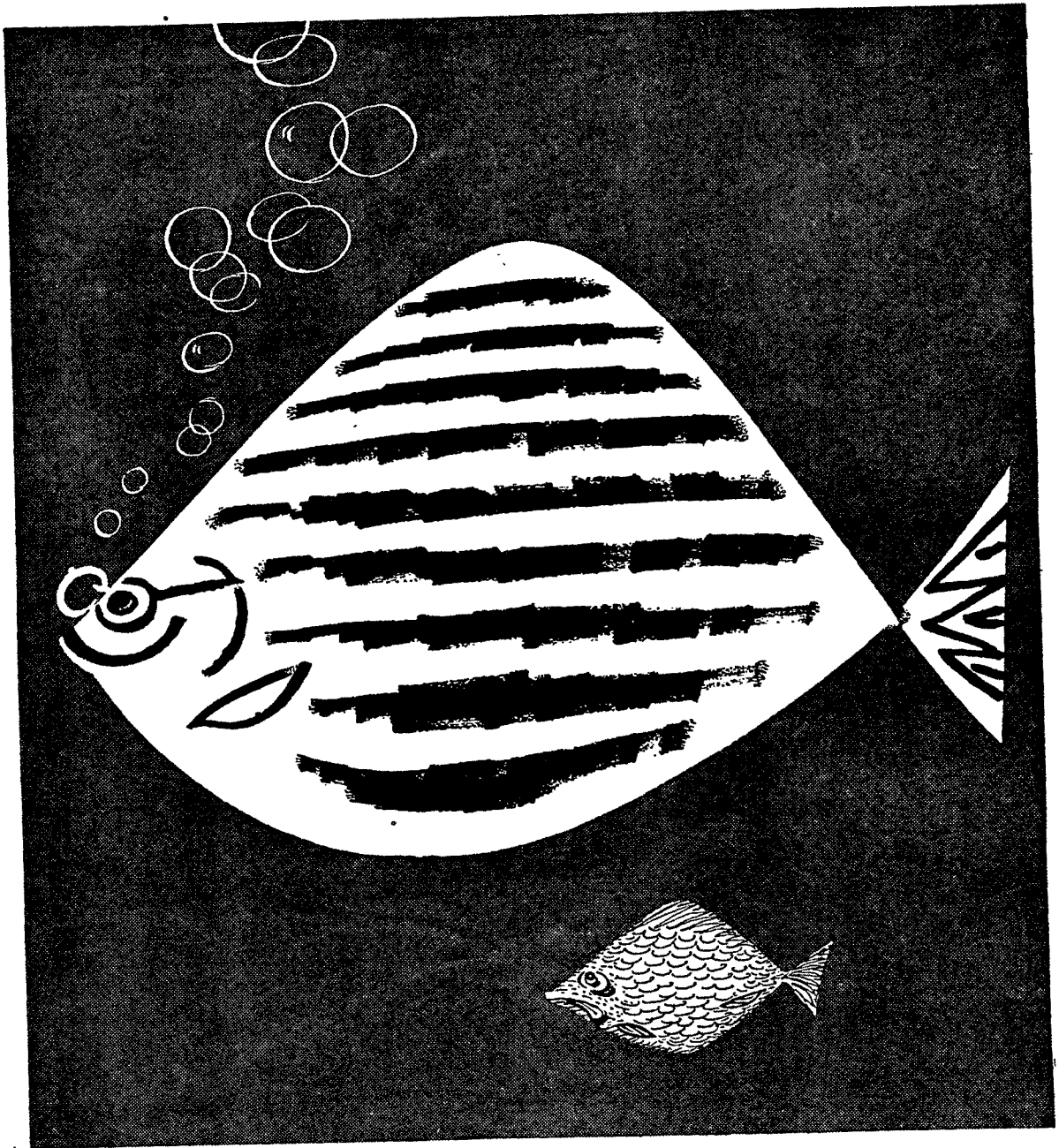
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The effective date of transactions occurred as at March 31st. In connection with the liability of Site Ltd to account to the Revenue for the excess of taxed charges over taxed income the movements on cash account as shown in Statement B opposite are also relevant.

The Schedule D, Case I, computations of Site Ltd for the opening years are tabulated as follows:

	1957 £	1958 £	1959 £
Premiums on sale .. ..	30,000	60,000	90,000
Less Cost of flats sold ..	25,000	50,000	75,000
Profit .. .. .	<u>£5,000</u>	<u>£10,000</u>	<u>£15,000</u>

Assessments (trading commenced April 1st, 1955):

1954-55 (first year, actual) .. ..	Nil
1955-56 (second year, first twelve months) ..	Nil
1956-57 (third year, year ended March 31st, 1956) .. ..	Nil
1957-58 (preceding year ended March 31st, 1957) .. ..	£5,000
1958-59 (preceding year ended March 31st, 1958) .. ..	£10,000
1959-60 (preceding year ended March 31st, 1959) .. ..	£15,000

It is now possible to tabulate the liabilities arising under Section 170, Income Tax Act, 1952, and the consequential relief under Section 345:

	1955-56 £	1956-57 £	1957-58 £	1958-59 £
Case I assessments ..	—	—	5,000	10,000
Income taxed at source .. ..	—	—	400	800
Less Loan interest paid .. ..	—	—	5,400	10,800
Section 170 assessments .. ..	<u>£1,200</u>	<u>£4,200</u>	<u>£900</u>	
Total	<u>£1,200</u>	<u>£4,200</u>	<u>£900</u>	

Excess of income over charges .. .. £6,485

It follows that the provision for income tax based on the results of the opening years up to March 31st, 1959, will be as follows:

1958-59	Case I assessment - proportion not required to cover taxed charges (as above) .. ..	£ 6,485		
	Less Claim under Section 345	6,300		
		<hr/>		
		£185		
		<hr/>		
		£	s	d
			78	12 6
1959-60	Income tax payable £185 at 8s 6d			
	Case I assessment £15,000			
	Income tax payable £15,000 at 7s 9d .. ..			
		5,812	10	0
		<hr/>		
		£5,891	2	6

The profits tax computations are as follows:

	1957 £	1958 £	1959 £
Profits as for Case I .. ..	5,000	10,000	15,000
Add Taxed income .. ..	—	400	800
	5,000	10,400	15,800
Less Loan interest (excluding interest paid to promoters)	3,600	5,700	3,600
	1,400	4,700	12,200
Less Loss brought forward from 1956 (loan interest)	600	—	—
	800	4,700	12,200
Less Abatement .. ..	800	1,460	—
	—	<u>£3,240</u>	<u>£12,200</u>
Gross relevant distributions:		1958	
Dividends (grossed-up) ..		£5,000	
Promoters' interest .. ..		600	
		<u>£5,600</u>	
Net relevant distributions:			
(£5,600 - £4,700) = £900 + £3,240			
Profits chargeable to tax:			
£3,240 at 30 per cent .. ..		£972	
£12,200 at 10 per cent .. ..		<u>£1,220</u>	
Total		<u>£2,192</u>	

The foregoing figures may be reconciled and the example brought to its logical conclusion by summarizing the company's financial position at March 31st, 1959:

Profit on development - 30 units at £1,000 ..	£30,000
Taxed income received in period .. ..	1,200
	<u>£31,200</u>
Less Loan interest paid .. ..	16,015
Provision for income tax .. ..	5,892
Provision for profits tax .. ..	2,192
Gross dividends:	
Declared March 31st, 1958 .. ..	£5,000
Declared March 31st, 1959 .. ..	7,500
	<u>12,500</u>
Less Income tax at 8s 6d .. ..	5,312
	<u>7,188</u>
	<u>31,287</u>
Debit balance on profit and loss account ..	£87
Statement of net worth	
Re-deposits with building society .. ..	16,000
Cash at bank (net development receipts less interest) .. ..	9,185
	<u>£25,185</u>
Represented by:	
Promoters' loans:	
Initial advances .. ..	10,000
Net dividends .. ..	7,188
	<u>17,188</u>
Provision for income tax and profits tax ..	8,084
	<u>25,272</u>
Less Debit balance on profit and loss account	87
	<u>£25,185</u>

# Rapid Statistical Methods

by W. E. DUCKWORTH, M.A.(Cantab.), A.I.S., F.S.S.

**A**CCOUNTANTS take pride, justifiably, in their ability to handle numbers. Because money is so much the universal measure of success and numbers are the most concise language of performance, the accountant's place in assessing the stewardship of industry, commerce and trade is one of high status and prestige.

In recent years the profession has felt the need to reach beyond the audit function and play a more active role in the formulation and resolution of business decisions. Management accountancy has emerged to be seen by some as a separate discipline and by others as merely an extension of the traditional accounting realm. Whichever it is to be, and it is not for an outsider such as the writer to comment, this enlarging of the powers of accountancy will require a corresponding widening of the accountants' training.

The professional bodies have recognized the need in some degree by the introduction of such subjects as statistics into the syllabuses of their examinations. Accountants who play a part in management will have to recognize not only the precision of numbers, but also their imprecision. Most sources of industrial and commercial data are very variable in their characteristics. Each successive measure of costs per unit, monthly values of consumable supplies, scrap percentage on particular processes, weekly rates of output—differs, with but rare exceptions, from the previous figures produced.

'Thirty weeks' output from, say, a chemical process, might appear as follows, in tons per week:

Table 1

150	157	165
155	159	173
148	154	162
161	173	169
162	163	175
153	167	174
166	158	162
163	157	176
164	160	168
156	164	165

What is the accountant to say about these figures? The average is simple enough to find; it is 162.6 tons per week. The average output from the preceding thirty weeks was 158.7 tons. Is the new average significantly higher than the previous

output or is the difference a chance once, arising merely from the high variability of the process? There seems to be some tendency for the output to rise. When plotted on a graph of output against time the above results are shown in Figure 1. It looks as if output is rising but, again, in view of the variability of the process how confident can we be of this? Might not the apparent increase be due to chance once more?

These, and many similar questions, are important ones and necessary for management accountants to answer. They can be answered by professional statisticians using complicated techniques, which are unfortunately quite difficult to learn and apply.

Statisticians have now developed very rapid tests, however, which although not as accurate and reliable as the more traditional ones, can be used by someone with little statistical training and take hardly any longer than the normal scanning of the data being analysed.

Here are some examples of these tests used on the above output figures.

## Change in the Average

To test whether the average of the group of figures is significantly different (in the statistical sense to be discussed later) from 158.7 we merely count how many numbers are greater than 158.7 and how many are less. In the examples given, twenty-one numbers are greater than 158.7 and nine are less. The difference between these two figures is:

$$21 - 9 = 12$$

The sum is:

$$21 + 9 = 30$$

The rule for significance is that the 'difference' must not be less than 'twice the square root of the sum'. In this case 'difference' = 12. 'Square root sum' is square root 30, which is 5.5 approximately. Twice square root sum is therefore 11 approximately. 12 is not less than 11 so the average of the thirty weekly outputs is significantly greater than 158.7.

By 'significant' we mean that if there really were no change in the average output, but the merely random fluctuations about the average figure had produced a set of numbers such as the

above, then the probability or chance that the average of these randomly occurring numbers could be as high as 162.6 is only 1 in 20. This is a smaller probability than that of getting four heads with the first four successive throws of a coin.

To put it in other words, if we use the above test and obtain an answer which states that there is a significant difference in the average, i.e. if 'difference' is not less than 'twice the square root sum', then we shall only be wrong in stating that the difference in average is real and not due to chance once in twenty times.

Whether this risk is sufficiently small depends on the circumstances. If it is considered too great in a particular case then the stricter criteria to be discussed later can be applied.

Let us consider another example. Is the average of the following readings significantly different from 24?

30, 24, 17, 22, 16, 18, 20, 16, 10, 28, 30, 17, 15, 28, 13, 12

There are four numbers more than 24 and eleven less than 24.

Difference is  $11 - 4 = 7$

Sum is  $11 + 4 = 15$

Twice square root sum  $= 2\sqrt{15} = \text{twice } 4 \text{ approximately} = 8 \text{ approximately.}$

The difference, 7, is therefore less than twice

the square root of the sum and hence the average is not significantly different from 24.

The average is different from 24, of course, and what this statement really means is that the average of the *population* of which these numbers are a sample may not be different from 24. In life we always examine samples - a year's production figures are just a sample of the possible population of year's production figures and what we are trying to determine from the sample is the properties of the population. What, in other words, the 'true' average would be if we knew it. Here we have no sound evidence that the 'true' average is different from 24 and to act as if it were may be unwise.

We may have to act, of course, and may be so perturbed about the difference that we might well act as if it were significantly different and we may well be right. The statistical test does not tell us what to do, obviously, but it tells us how justified we are *on the data alone* in taking what action we do. In this case, on the data alone, we are not justified in acting as if the 'true' average of the group were different from 24, but we may have other considerations to take into account. We may be in a situation where there is no harm done if we assume the average is different and we are wrong, whereas, harm would be done if we assumed the average were not different and we were wrong. In that situation clearly we would act as if the average were different, but if there

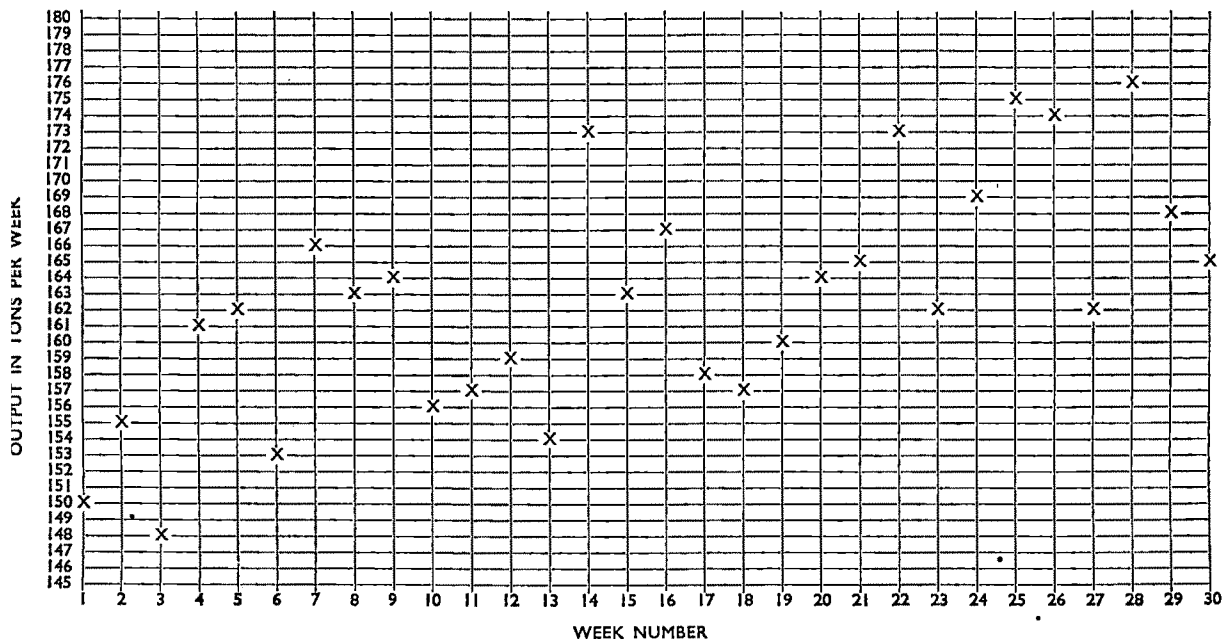


Figure 1



were no compelling reason for acting one way in preference to another, then it would be better to collect more data.

### Simple Rule on Extra Data

There is a simple rule about the extra amount of data to collect. In the second example above, the 'difference' count was 7 and this was not significant because it was less than  $2\sqrt{15}$  where 15 was the 'sum' count. If, however, the 'true' average of the group of numbers examined were less than 24 and the only reason this has not been clear so far is because there was inadequate data then the amount of data we need to make certain is

$$\left(\frac{\text{twice sum}}{\text{difference}}\right)^2. \text{ In this example it would be } \left(\frac{2 \times 15}{7}\right)^2 = 18.$$

Three more observations would, therefore, be required provided that the 'true' average of the group was below 24. Clearly, if three more observations were taken and at least one were greater than 24, then a repeat test would still not show significant difference for:

$$\begin{aligned} \text{new sum} &= 18 \\ \text{new difference} &= 13 - 5 = 8 \\ \text{twice square root sum} &= 2\sqrt{18} = 8\frac{1}{2} \end{aligned}$$

which is still greater than the difference.

A repeat test is thus necessary after the further data has been collected and this may indicate that still further information is needed. The amount of this can be calculated.

If only a small amount of extra data is needed then this may be readily collected and we may well be prepared to take what we feel to be the appropriate decision while it is being collected. If a large amount of extra data is needed, which would certainly be the case if the initial test gave a result which was far from being significant, then this may serve to emphasize the inadequate basis for any decision which would imply significance in the data.

### Comparison of Two Groups of Figures

The simple test ('difference' compared with 'twice square root sum') can be used to interpret many other aspects of data. For example, consider the figures in Table 1 representing the weekly output from one chemical process. We may

wish to compare them with similar figures collected from an identical process in another factory, as below:

Table 2

Process A	Process B	Process A	Process B	Process A	Process B
150	153	157	158	165	163
155	158	159	146	173	168
148	151	154	155	162	164
161	144	173	154	169	168
162	147	163	156	175	173
153	155	167	159	174	172
166	156	158	143	162	161
163	153	157	165	176	175
164	147	160	153	168	167
156	157	164	163	165	163

Process A has the average of 162.6 (as before) and process B an average of 158.2. We know from our previous test that process A does have an average significantly higher than 158.7, so it will certainly be significantly higher than 158.2, the average of process B. We only know this, however, from having carried out the previous test. If we had just been presented with the data of Table 2 we would not have any previous test to guide us.

There is a very quick test we can use, however, for examining whether there is any significant difference between the averages of the two groups. We mark a 'plus' against the figure in Table 2 when the figure for B is higher than that for A and a 'minus' when the figure for B is less than that for A, as follows:

Process A	Process B
150	153+
155	158+
148	151+
161	144-
162	147-
153	155+

and so on.

If, then, to carry out this test we count the plus signs and minus signs we find there are nine plus signs and twenty-one minus signs. We then proceed with the 'difference' compared with 'square root sum' test as before.

$$\text{Difference} = 21 - 9 = 12$$

$$\text{Sum} = 21 + 9 = 30$$

'twice square root sum' = 11 approximately.

The difference, 12 is not less than this therefore process A produces a significantly higher output than process B. This confirms our earlier result.

### Prediction of Number of Results Required to make a Decision

Now suppose there were sound technical reasons for this difference between process A and process B and suppose the technicians said that with the knowledge gained as a result of this difference they could improve both processes so as to improve on the performance of process A at least 75 per cent of the time. How many trials should they carry out in order to demonstrate their point convincingly?

Here the ratio is:

$$\frac{\text{sum}}{\text{difference}} = \frac{100}{75-25} = 2$$

The number of observations needed is:

$$\left(\frac{\text{twice sum}}{\text{difference}}\right)^2 = (2 \times 2)^2 = 16$$

To test whether the improved process is sufficiently better to justify the technicians' claims, we therefore need to carry out sixteen observations on the improved process. If the result of the trial is not significant, then we have some evidence (at the one in twenty level of significance) for doubting whether the desired ratio favourable to the new process is achievable. We may then change our minds and think that a 70 per cent ratio would be acceptable. In this case we need:

$$\left(\frac{2 \times 100}{70-30}\right)^2 = 25 \text{ observations in all.}$$

If we carried out a further nine trials on the improved process and again found a non-significant result then even a 70 per cent ratio would be unlikely. Whether we carried out any further trials would depend upon an assessment of the practical difference which is worth while. The time to stop taking further observations is when the effect we wished to establish has not been supported by the data which would have been adequate if the effect existed.

### Test for Trend

In the beginning of this article we referred to Figure 1 which suggests that the output of process A during the thirty weeks under consideration had been trending upwards. How sure can we be that this is in fact so?

The test for a trend is as follows: The data are divided into three groups, as below:

Table 3

#### Group 1

150, 155, 148, 161, 162, 153, 166, 163, 164, 156

#### Group 2

157, 159, 154, 173, 163, 167, 158, 157, 160, 164

#### Group 3

165, 173, 162, 169, 175, 174, 162, 176, 168, 165  
+ + + + + - + + +

The first group is compared with the third group to assess whether the third group is consistently higher or not. In Table 3 a plus sign indicates that the figure above the plus in the third group is higher than the corresponding figure in the first group. A minus sign indicates that the reverse is true. There are nine plus signs and one minus sign, so

$$\text{Difference } 9-1=8$$

$$\text{Sum } 9+1=10$$

$$\text{Square root sum}=3.3$$

$$\text{Twice square root sum}=6.6$$

The difference is not less than twice the square root of the sum therefore group three is significantly greater than group one and this indicates a significant trend upwards.

### Association

It will be noticed from Table 2 that as the output of process A rises, that of process B appears to rise also. It may be that the factor which causes the improvement in process A is also operating for process B. To test this we want to determine the degree of association between the two series of numbers. This is done below:

A	B		A	B		A	B	
150	153	+	157	158	+	165	163	+
155	158	+	159	146	+	173	168	+
148	151	+	154	155	+	162	164	-
161	144	+	173	154	-	169	168	+
162	147	+	163	156	-	175	173	+
153	155	+	167	159	+	174	172	+
166	156	-	158	143	+	162	161	-
163	153	-	157	165	-	176	175	+
164	147	-	160	153	+	168	167	+
156	157	+	164	163	+	165	163	+

A plus sign is put against all pairs in which both figures are higher and both figures are lower than the respective averages, and a minus sign where one figure is higher than its average and the other figure is lower.

There are twenty-two plus signs and eight minus signs and it can readily be determined that the association is significant.

### Spotting a Stranger

Sometimes when a group of numbers is examined, one or two figures do not seem to belong. An example is given as follows:

1.04, 6.75, 7.97, 9.72, 2.62, 26.54, 3.66, 8.09

In this group the number 26.54 seems to be a stranger. How can we be sure it is all right to

reject it from the group or to make it the subject of a special inquiry? The test is to subtract the smallest observation in the group from the largest, first including the suspected stranger and then excluding the suspected stranger. In this case we get:  $26.54 - 1.04 = 25.50$

and

$$9.72 - 1.04 = 8.68$$

The ratio of these ranges is about 3.

If the range with the suspected stranger is at least twice the range without it then the suspected stranger does not belong to the group. The statistical test does not of itself, however, provide sufficient justification for rejecting the suspect figure. Some physical reason such as abnormal conditions under which the particular figure was obtained, must be discovered before analysis of the data can safely proceed.

#### Example

10.3, 11.5, 3.1, 13.7, 14.3, 13.8, 11.9

Is 3.1 a stranger?

The range including 3.1 is  $14.3 - 3.1 = 11.2$

The range excluding 3.1 is  $14.3 - 10.3 = 4.0$

$$\text{Thus } \left( \frac{11.2}{4.0} \right) = 2.8$$

This is more than 2, hence 3.1 is a stranger.

### Comparison of Groups with Unequal Numbers

The 'difference-square root sum' test only applies when there is either a single group of numbers, as in testing for a significant change in average or two equal groups as in association or trend, or testing for a significant difference in average between two equal groups. It cannot be applied when testing for a significant difference in average between two unequal groups.

Consider the following situation:

Cost per unit in pence	
Material A	Material B
9.5	9.4
9.1	9.6
9.0	9.2
9.5	8.0
12.2	8.9
10.0	8.5
10.7	9.7
10.4	11.1
11.5	9.4
11.2	11.4
11.6	9.8
10.2	9.3
11.8	
12.0	

The usual test cannot be applied here because two more results have been obtained for material

A than for material B. The solution is not to chop off the last two results for A, because this is wasting information and if the usual test is then applied it gives a non-significant result which is, in fact, untrue.

The method to apply is to find the highest observation and the lowest observation in each group. For A the highest observation is 12.2 and the lowest is 9.0. For B the highest observation is 11.4 and the lowest is 8.0. We then find the number of observations in the A group which are higher than the highest in the B group. (It is obvious that the highest and lowest figures of the A group are higher than those of the B group.) In the A group there are five observations (12.0, 11.8, 11.6, 11.5 and 12.2) higher than the highest observations in the B group. There are also three observations in the B group (8.0, 8.9, 8.5) lower than the lowest observation in the A group. We add the 5 and 3 and get a score of 8.

Professor Tukey, of Princeton University, has worked out that if the score is equal to or greater than seven it can be said that the difference is significant. The score in this example is 8, so that it is significant.

### Conclusion

These tests are all ones which can be memorized easily, or noted in a diary, and used when examining data to extract their significance more precisely than by using intuition. It must be emphasized, however, that they are only a kind of statistical first aid and that proper statistical analysis using more conventional methods should always follow if the full meaning of the data is to be extracted.

They are certainly better than nothing, however, and if this article has helped to stimulate interest in statistical methods among accountants and has encouraged them to use, first, these simple tests and then, later, more advanced tests it will have done its job.

*Note.* — All the tests given have been for a significance level of 1 in 20, or 5 per cent; that is, when using these tests a chance effect will only be judged to be significant and real with a 1 in 20 risk. If one requires to run a higher or a lower risk then the criteria are given below:

#### Significance

Level	1 in 10	1 in 20	1 in 100	1 in 1000
Test 'Square root sum' test	$1.6\sqrt{N}$	$2\sqrt{N}$	$2.6\sqrt{N}$	$3.3\sqrt{N}$
Tukey test	4	7	10	14
Number of results needed	$\left(\frac{1.6N}{D}\right)^2$	$\left(\frac{2N}{D}\right)^2$	$\left(\frac{2.6N}{D}\right)^2$	$\left(\frac{3.3N}{D}\right)^2$

where N is the total number of results compared, i.e. the sum count and D is the difference count.



# Weekly Notes

## New Council Members of the Institute

THREE new members of the Council of The Institute of Chartered Accountants in England and Wales were elected at the meeting of the Council held on April 5th (reported elsewhere in this issue). They are Mr John Foster Allan, F.C.A., of Liverpool, Mr Eric Hay Davison, F.C.A., of London, and Mr Frederick James Weeks, F.C.A., of Bristol.

Mr J. F. Allan, who is aged 49, was educated at Birkenhead Institute and was articulated in 1927 to the late Mr W. E. Stacey, then senior partner in Mr Allan's present firm of W. E. & H. R. Stacey, Chartered accountants, of Liverpool. Placed eighth in the intermediate, Mr Allan went on to take fourth place with honours in the Final examination of November 1932. He was admitted an Associate of the Institute in 1933 and was elected to fellowship in 1943.

He served as President of the Liverpool Chartered accountant Students' Association in 1950-51, and subsequently became honorary treasurer of the Liverpool Society of Chartered Accountants in 1954-55, and served as honorary secretary of the Society from 1955-57. He became Vice-President of the Society in 1957 and was elected President the following year.

Since 1952 he has been honorary treasurer of Wirral Conservative Association and is a committee member of the Exchange Club, Liverpool, and a member of the Liverpool Racquet Club. He is also director of a number of companies.

Mr E. H. Davison, a member not in practice, was born in 1904 and was educated at Dulwich College. He was admitted an Associate of the Institute in 1928, in which year he became assistant accountant of The Gramophone Co Ltd. He then became chief accountant of Turner Brothers Asbestos Co Ltd and later chief accountant of S. Simpson Ltd. He joined

Courtaulds Ltd in 1946, becoming chief accountant in 1947 and treasurer in 1957. In March this year he joined the General Electric Co Ltd as financial director.

Mr Davison has served as a member of the Taxation and Research Committee of the Institute and was a member of several of its subcommittees. He has also been a member of the committee of the London and District Society of Chartered Accountants.

In 1953 he was appointed a member of the Verdon-Smith Committee set up by the President of the Board of Trade to consider the censuses of production and distribution.

Mr F. J. Weeks, also a non-practising member, was educated at Clifton College (of which he is now a governor) and served his articles with Messrs Grace, Darbyshire & Todd from 1921-26. He was admitted an Associate of the Institute in 1927 and for the following three years was a member of the staff of Messrs Deloitte, Plender, Griffiths & Co. In 1930 he joined The Imperial Tobacco Co Ltd as an assistant accountant and since 1947 has been accountant of the W. D. & H. O. Wills branch of the company.

Mr Weeks has been a member of the Institute's Management Accounting Subcommittee (formerly the Cost Accounting Subcommittee) since 1943, and in 1950 he was a member of the Management Accounting Team which toured the United States under the auspices of the Anglo-American Council on Productivity. He became a member of the Taxation and Research Committee in 1954 and in that year addressed the Institute's Summer Course on 'Stock control - manufacturing business'.

A distinguished sportsman, Mr Weeks has played cricket for Gloucestershire and hockey for Gloucestershire, Suffolk and the West of England.

## The Liberal Party and Tax Reform

THE Liberal Party has published a pamphlet on economic reforms with the title *Growth not Grandeur*,<sup>1</sup> written by Mr Jo Grimond, M.P. It includes some interesting suggestions about taxation.

<sup>1</sup> Liberal Publications Department, 58 Victoria Street, London SW1. 1s 6d.



Mr J. F. Allan



Mr E. H. Davison



Mr F. J. Weeks



In the first place Mr Grimond would drastically reduce Government expenditure by abandoning the nuclear deterrent, making nationalized industries find more finance from their own resources, and making administrative economies. He would increase annual allowances from five-fourths to six-fourths, allow deductions of 110 per cent of the cost of co-ownership schemes, abolish profits tax, and abolish stamp duty on share transfers. However, this latter would not be quite the boon one might think for he advocates the treatment as taxable income of short-term gains on securities and land, with no allowance for losses unless the taxpayer opted to be treated as a trader, in which case long-term gains would also be taxed.

In view of the disincentive effect of surtax he would abolish it, but the new income tax would be on a sliding scale, administered by the ordinary tax offices. Schedule A tax would likewise be replaced by Schedule D tax on rents; owner-occupiers being no longer taxed. Flat rate national insurance contributions would be replaced by contributions on a progressive basis, levied as part of the income tax. There would be a means test for family allowances, employers would pay a percentage of their wages bill as a social security tax.

### Australia's New Governor-General

THE Rt. Hon. the Viscount De L'Isle, V.C., P.C., D.L., M.A., F.C.A., has been appointed Governor-General of Australia in succession to the late Lord



Viscount De L'Isle

Dunrossil, formerly Mr W. S. Morison, a Speaker of the House of Commons. This announcement, made from Buckingham Palace last Monday, will be particularly pleasing to members of the profession, both in the United Kingdom and in Australia.

For Britain, we believe that this is the first time that a member of the profession has been appointed the personal representative of the Crown in another Commonwealth country. For accountants in Australia, interest in the appointment is enhanced as it follows so closely that of a member of the New Zealand Society of Accountants as that country's High Commissioner in Canberra (*The Accountant*, March 18th, 1961, page 320).

Lord De L'Isle was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1934, and elected to fellowship in 1960. He was a Conservative Member of Parliament for North Devon while before succeeding to the peerage.

Conservative Government in 1951 he was appointed Secretary of State for Air, a post which he held for four years. His directorships include Schweppes Ltd, The British Match Corporation, Courage & Barclay, Lloyds Bank and Phoenix Assurance.

He won the Victoria Cross in action at Anzio with the Grenadier Guards.

### Criteria for the Nationalized Industries

A REVIEW of experience in applying the nationalizing statutes and suggestions for their future interpretation are contained in a new White Paper entitled *The Financial and Economic obligations of the Nationalized Industries*, published on Tuesday of this week.<sup>1</sup>

The White Paper states that the Government's general policy is to ensure that the industries are organized and administered efficiently and economically. Although they have obligations of a national and non-commercial kind they ought not to be regarded as social services absolved from economic and commercial justification.

It is recalled that the undertakings have been expected to 'pay their way': that is to say that on an average of good and bad years they should have not less than sufficient revenues to meet proper charges, including provision of reserves. It was envisaged that there would be surpluses in good years, after making all necessary provisions, and that these surpluses would be available to meet deficits in bad years. In practice, however, the total retained income of all the industries has not been sufficient to provide for the replacement of assets.

A simple comparison with the return on capital in private industry – which has been about 15 per cent in recent years against less than 5 per cent in most nationalized undertakings – would be misleading as a lower return on capital is traditional in public utilities. The White Paper points out, however, that if the profitability of capital development is assessed on different (and easier) financial criteria from those adopted in industry generally, there is a risk that too much of the nation's savings will be diverted into the nationalized industries. Again, if the prices of the goods and services which the nationalized industries provide are uneconomically low, demand for them (and for investment to produce more of them) may be artificially stimulated.

Taking all these considerations into account, the Government consider that, in general, the financial objective of the nationalized undertakings should be to ensure that *over a five-year period* surpluses on revenue account should be at least sufficient to cover deficits on revenue account. In arriving at these figures items charged against revenue should include interest and depreciation on the historic cost basis; and provision should also be made from revenue for the additional cost of depreciation on a replacement cost basis and for further capital development. The White



Paper points out that earning power, total depreciation provision and reserve requirements will vary according to the prospective commercial, technological and financial developments of different undertakings. In consequence, the above criteria cannot be expressed as one standard formula to be applied to all alike.

On capital account, existing procedures concerning investment and borrowing will continue. Under these the Government will discuss development plans for five years ahead, will fix annually an upper limit for investment spending for two years; will approve

borrowings on the basis of annual estimates, and will require to be informed of new proposals expected to yield a low return. It is apparent that the Government's two interests here are in keeping public sector investment within the nation's resources, and providing public capital. While recognizing the force of arguments in favour of undertakings going to the market, the Government sees no possibility of an early move in this direction as, states the White Paper, 'the amounts of money needed are much too large to be raised in the open market without Government support.'

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 72

I RECENTLY had a telephone call from my old friend, George, asking me to meet him most urgently after work; so sure enough I went along to our favourite pub at 6 p.m. and there he was, sitting waiting, with his untouched beer before him. He looked as if he had been hit behind the ear with a blunt instrument.

George, a most able C.A., who has been chief accountant with a local factory in the tinned food-stuffs line for nearly twenty years, was popularly reputed to be one of the best brains in the business, and one of their top management team. Perhaps he was being promoted to managing director?

I slipped in beside him on the red plush seat of the alcove and inquired breezily if it was to be champagne. He grinned rather wanly and said 'Not this time, old man, I've just been sacked. Right out of the blue.'

It was quite a story he had to tell. True enough, he had been the chairman's right-hand man when he started in the job; the said chairman was elderly and able, and felt rather flattered by the deference paid him by the ball-of-fire who was his young lieutenant. George, bursting with energy, poured forth a stream of ideas, from cleaning up the unholy mess that represented the company's tax liability to mechanizing the entire accounts and costing department. They worked well as a team: he admired and respected the chairman, who in turn encouraged his zeal and curbed his more fanciful projects. It was roses, roses, all the way and the future looked bright.

But suddenly, events moved quickly. The chairman died early last year and a Pharaoh arose who knew not Joseph. In other words, his successor disliked George.

It wasn't really George's fault; it was a just matter of age meaning incompatibility. George is 47 now, and the new boss at 43 is of far

outstanding intelligence – certainly not on a par with his predecessor; their relationship therefore was completely maladjusted. If George produced a new idea, the chairman received it with grudging suspicion as if it implied criticism; when the boss had a new scheme he resented any effort by George to comment on it. The alert, quick thinking which had charmed the accountant's first chairman was giving the new arrival an inferiority complex and alienating him; a subordinate can be too clever for his own good.

The chairman didn't say much, but his manner has grown steadily colder; sensing this, George was indeed trying to re-shape and tone down his own personality, and then this morning, with a letter, arrived a formal dismissal and a cheque for three month's notice as per contract; he is to go at once rather than cause mutual embarrassment by remaining, ran the verdict. A visit to his chief only achieved a statement that there was nothing to add and no intention of discussing the matter.

It was reminiscent of that chapter in *Uncle Tom's Cabin*, where Ole Mas'r decides to sell his black shark George down the river, because George is showing up very bright indeed, and Ole Mas'r likes to be the smartest man on his own plantation.

Well, there it rests. A chief accountant is essentially a man in a unique position; he has no more security than his service agreement, no longer tenure of office than the next postal delivery; he must depend on his chief's loyalty and sense of justice for the success of his career. Yet he occupies an appointment where he must often preach cost and caution to executives whose ambition may be in inverse ratio to their judgment, and rectitude and regulation to staff may be unversed in the ethics of *meum* and *tuum*. His future is in the hands of his chairman to make or mar; his reputation can be smeared without his having an opportunity to defend himself; the knife always waits behind the door.

I talked encouragement and optimism to George and he departed feeling less stricken, and with a jaunty toss of his head again. 'Happy landings, old man,' he said. 'Now for a long session with the adventure.' But under my good-luck whisper: 'There, but for

# Finance and Commerce

## Arusha

**S**HAREHOLDERS in Arusha Industries Ltd, whose accounts provide this week's reprint, have one thing on which they may congratulate themselves. Vactric Ltd forms no part of the industrial holding company empire built up by their previous chairman and now seen to rest on the uncertain foundation of bank money.

In June 1959, Arusha approached the chairman of Vactric, its controlling shareholder, with offers of 55s for the Ordinary shares and 53s for the 'A' Ordinary. In the October, the negotiations fell through. Vactric is now in liquidation. Its first meeting of creditors and contributories was reported here on February 4th, 1961, and a brief look back to that issue before proceeding to the Arusha accounts will prompt a few thoughts on the vicissitudes of life.

The affairs of Arusha Industries are now under a new board with Sir Harold Gillett, M.C., F.C.A., as chairman. It is evident to the board, says Sir Harold, that 'the financial stability of your company and its subsidiaries had been compromised by over-expansion on the basis of temporary borrowings from bankers'.

He reminds shareholders that between February 1958 and September 1959, Arusha acquired a variety of industrial interests for a total purchase price of £4,173,730 of which £2,467,000 was paid in cash. The balance of £1,706,730 was satisfied by the allotment of Arusha shares of a nominal value of £86,828 to the vendors.

## Bank Loans

Arusha itself, raised only £738,000 in the form of additional permanent capital to finance the cash purchases. The balance of £1,729,000 was financed by borrowing. Not all the interests acquired had adequate working capital and available cash resources of other companies acquired were, in fact, used for further acquisitions and to finance companies with inadequate resources of their own.

A large proportion of acquisition cash - £1,257,000 - was raised in the form of a special loan from bankers and, in addition, after these operations, the resulting indebtedness of the subsidiaries to bankers amounted to a further £1,248,962 by March 31st, 1960. The result: 'severe financial stringency' and a policy that 'must at present be determined not by the profitability of the underlying interests but by the overall financial position'.

Normal procedure for a company could be to go to shareholders for permanent capital to provide

indebtedness. But Arusha was reared in the hot-house of stock exchange speculation and, it is to be feared, a sizeable proportion of its shareholders are what the stock exchange calls 'stale bulls', to whom subscription to a rights issue would look too much like throwing good money after bad.

## Patience Running Out

The board has considered whether the financial position could be improved and consolidated by a sale and lease-back of the unencumbered real properties of certain of the major subsidiaries, but it has been advised that the proceeds of any funds so acquired by subsidiaries cannot legally be used in reduction of the most pressing liability, namely, the bank loan of £1,257,000 incurred by the parent company and secured by a power of sale over three subsidiaries' shares - Sheffield Steel Products, Vigilant Investments and Barrow Hematite Steel Co.

In any case, the board came to the conclusion that the amount so raised would not be sufficient to discharge an adequate proportion of the group's floating debt and, secondly, the terms of such an operation would prejudice the funding of the balance of the indebtedness and would immediately diminish the security for the remaining bank indebtedness.

Could some of the assets be sold? That line was followed but, after inevitably protracted negotiations, there was still no hope of an early repayment to bank. That also, says Sir Harold, was the view of their bankers 'who have exercised considerable forbearance in not pressing their claims for repayment, although they have recently reminded us in no uncertain fashion that their patience is not inexhaustible'.

## Profit and Loss

It seems, therefore, says Sir Harold, that the raising of further capital from shareholders will have to be related to the segregation or 'spinning-off' of such businesses in the group as are undoubtedly capable of standing on their own feet and have also such affinity between each other as would constitute a logical grouping from an operational point of view.

At the meeting held last Monday, however, many shareholders considered Sir Harold's suggestions too drastic. It was Mr Lindsay Carstairs, the original power behind Arusha and from whom Sir Harold took over the chairmanship, who provided what is hoped will prove the answer to the group's financial problem.

He undertook to raise between £1 million and £1½ million within the next six to eight weeks on terms favourable to the shareholders and acceptable to the bank. So that he could undertake this task Mr Carstairs was voted back on to the board of the company - Mr W. J. Darby, who was up for re-election as a director, stood down to make room for Mr Carstairs, who in his turn agreed to resign if he was unsuccessful in his finance-raising scheme.

The atmosphere of the meeting was favourably



CONSOLIDATED BALANCE SHEET AS AT 30th SEPTEMBER, 1960

The notes on page 11 [see page 440] form part of these accounts.

**S. H. GILLET**  
**W. M. H. POLLEN**

**ARUSHA INDUSTRIES LIMITED  
AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30th SEPTEMBER, 1960**

15 months to 30th Sept., 1959 £	£	£
589,001	1,256	792,082
20,006	2,298	
	17,758	
	20,056	
21,762	162,392	
57,076	28,000	
14,000	213,603	
88,290	7,597	
6,158		
187,286		431,648

**TRADING PROFIT (Note 6) before charging the following:—**

Directors' Remuneration—Fees .. .. .	.. .. .
Other Emoluments .. .. .	.. .. .
Bank and other interest .. .. .	.. .. .
Debenture stock interest .. .. .	.. .. .
Depreciation of fixed assets .. .. .	.. .. .
Auditors' remuneration .. .. .	.. .. .

401,715	£	£
164,121	173,089	360,434
49,105	30,917	
213,226	204,006	
10,554	17,664	
202,672		186,342

**PROFIT BEFORE TAXATION**  
(Note 7)

Income Tax .. .. .	.. .. .
Profits Tax .. .. .	.. .. .
Overprovisions in respect of previous periods .. .. .	.. .. .

199,043	£	£
18,669	174,092	
180,374	15,487	
113,901	158,605	
	14,528	
66,473	144,077	
17,287	13,394	
83,760	157,471	

**PROFIT AFTER TAXATION**

Profit attributable to minority shareholders .. .. .	.. .. .
Profit attributable to Arusha Industries Limited prior to acquisition .. .. .	.. .. .

NET GROUP PROFIT	£	£
Balance brought forward at 1st October, 1959 .. .. .	.. .. .	.. .. .
Amounts written off Investments in Subsidiary Companies .. .. .	101,791	
Amount set aside towards Future Income Tax (see also Note 2) .. .. .	21,399	
Appropriations by Arusha Industries Limited—		
Dividends (less Income tax) .. .. .	1,256	
Interim .. .. .	—	
Proposed final .. .. .	—	
70,366	124,446	

**BALANCE AS SHOWN IN THE CONSOLIDATED  
BALANCE SHEET—**

Arusha Industries Limited	£	£
12,351	14,157	
1,043	18,868	
£13,394	£33,025	

The net profit dealt with in the accounts of Arusha Industries Limited is £104,853. (£69,206 for the 15 months ended 30th September, 1959.)

The comparative figures for 1959 include results of subsidiary companies for periods varying from six months to twenty-one months.

The notes on page 11 [see next column] form part of these accounts.

**ARUSHA INDUSTRIES LIMITED**  
**NOTES ON THE ACCOUNTS**

**1. Movements in capital reserves (Arusha Industries Limited and Group)**

	Share Premium Account £	General Capital Reserve £
Balance at 1st October, 1959 .. .. .	2,115,209	19,903
Share premiums arising on the issue of shares as consideration for the acquisition of further shares in subsidiary companies .. .. .	106,818	
Capitalised at 1st March, 1960, as a 6 for 4 bonus issue of shares .. .. .	2,222,027	
	435,694	
Quotation fees and additional costs of 1959 rights issue .. .. .	1,786,333	
Professional charges relating to acquisition of shares in subsidiary companies .. .. .	1,365	
	£1,784,968	4,795
	£15,108	

**2. Amount set aside towards future income tax**  
In order to provide the full liability for future taxation, it is estimated that a further £37,500 would be required to be set aside.

**3. Development Expenditure**

The value of the balance of Development Expenditure of £35,142 carried forward is dependent upon the sales development of certain products by one subsidiary company, the earning power of which has yet to be fully demonstrated.

**4. Capital Commitments**

(a) Commitments for capital expenditure not provided for in these accounts amounted to £68,000 at 30th September, 1960 (£163,431 at 30th September, 1959).  
(b) A subsidiary company has agreed to loan to the United Kingdom Ferro-Manganese Co. Ltd. £250,000 of which £89,400 has been lent at 30th September, 1960, and is included in trade investments in the consolidated balance sheet. The loan is being made by annual instalments which will be related to the profits from the sale of ferro-manganese.

**5. Contingent Liabilities**

(a) A subsidiary company has given a guarantee for £250,000 in respect of the bank overdraft of the United Kingdom Ferro-Manganese Co. Ltd.  
(b) A subsidiary company has an uncalled liability for £50,000 in respect of partly paid preference shares held in the United Kingdom Ferro-Manganese Co. Ltd.  
(c) There are other contingent liabilities amounting to £46,815, mainly in respect of bills discounted.  
(d) Arusha Industries Limited has entered into reciprocal guarantees with two subsidiary companies for £1,000,000 each, and with one subsidiary company for £600,000.

**6. Profit**

The profit of £792,082 (£589,001 in 1959) is arrived at after taking into account:—

	1960 £	1959 £
(a) Income from Investments—		
Trade .. .. .	12,008	4,896
Other .. .. .	17,967	33,242
	£29,975	£38,138

**(b) Non-recurring charges**

Amounts written off the valuation of freehold properties .. .. . 35,000  
Amount written off development expenditure brought forward from previous period .. .. . 29,043  
Losses on disposal of fixed assets .. .. . 30,408  
Compensation for determination of contracts .. .. . 15,720  
Expenses of Shareholders' Committee .. .. . 7,500  
£117,671

(c) Non-recurring credits .. .. . £38,607  
£55,700 Cr.  
£68,448

**7. Taxation**

The charge for taxation of £204,006 is based on the profits for the year and is after crediting £11,029 (added to Goodwill) in respect of taxation that may be assessed on profits arising before acquisition.

disposed to Mr Carstairs and criticism of the new board was taken as far as a show of hands against the adoption of the accounts. Mr S. R. Hogg, F.C.A., as the representative of holders of 6,716 shares, maintained that the right policy was to build up the profitable companies. He did not believe that any bank would imperil the company by being unreasonable about repayment of loans.

### Stock Exchange Statistics

IN 1960 the stock-markets started the year with equity prices at a peak and finished the year with prices around the year's 'low'. The stock exchange's statistics on 'Interest and dividends upon securities quoted on the London Stock Exchange 1960' naturally, therefore, shows a sizeable decline in market values although the preponderance of the fall was in fixed interest stocks. At the end of the year the total market value of quoted securities at £37,075 million was £600 million below the end-1959 level.

Taking the value of shares quoted at the beginning and the end of the year - that is to say, excluding

new issues - the decline in market values was £1,800 million, of which lower values for loan and preference capital accounted for as much as £1,350 million, with the balance of £450 million accounted for by the equity price fall.

Taking into account the reversal of market trends this year and the rise in the various equity indices to new record peaks, the twelve months' loss of £450 million in equities has been more than made good in a matter of little over three months. The fall in fixed interest security values has levelled out.

In 1960 the gross value of interest and dividends was £1,655 million but it is estimated that not more than £700 million of that figure can be deemed available for personal spending or saving. Taxation is an obvious bite at the gross figure. There are two other factors, one being the incidence of investment duplication through the operations of investment trusts, insurance companies and other corporate investors. The other is the effect of institutional investment which means the withholding of part of the interest and dividend total from the pool available directly to the public.

## CITY NOTES

RARELY has there been a more confident stock-market approach to the Budget. Industrial ordinary share prices began the Budget account by reaching a new peak with the market experiencing one of its busiest days on record and with a very heavy volume of buying support.

A heavy balance-of-payments deficit, a wide although slightly narrowing adverse trade gap, and the absence of any real sign of a move towards the United Kingdom's participation in the European Common Market are apparently disregarded as bear factors. Investors prefer to see payments problems as things of the past.

It was indeed noticeable that investors as a whole latched on to the encouraging side of the *Economic Survey* and ignored the cautious views expressed on payments questions and on exports and rising industrial costs.

The assumption is that the Budget will be framed to provide incentive for industrial expansion, particularly in export markets where export financing facilities are being broadened.

Although there have been many instances and indications of pressure on industrial profit margins - the Glaxo half-yearly statement being a case in point - the tone of company reports still remains guardedly confident and company dividend news remains, on the whole, encouraging.

It remains to be seen whether the stock-market is now discounting growth a little too far ahead. Next week's Budget should give, at least, part of the answer on that point, but there is no doubting the present almost defiant confidence.

### RATES AND PRICES

Closing prices, Wednesday, April 12th, 1961

**Tax Reserve Certificates:** interest rate (26.11.60) 3%

#### Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

#### Treasury Bills

Feb. 3	£4 3s	4.46d%	Mar. 10	£4 9s	9.54d%
Feb. 10	£4 6s	0.56d%	Mar. 17	£4 9s	8.57d%
Feb. 17	£4 7s	7.63d%	Mar. 24	£4 9s	8.46d%
Feb. 24	£4 7s	11.85d%	Mar. 30	£4 9s	8.41d%
Mar. 3	£4 8s	10.41d%	April 7	£4 8s	8.68d%

#### Money Rates

Day to day	3½-4½%	<b>Bank Bills</b>	
7 days	3½-4½%	2 months	4 ½-4 ¾%
<b>Fine Trade Bills</b>		3 months	4 ½-4 ¾%
3 months	5½-6%	4 months	4 ½-4 ¾%
4 months	5½-6%	6 months	4 ½-4 ¾%
6 months	5½-6½%		

#### Foreign Exchanges

New York	2.79 1/8-80	Frankfurt	11.11 1/8-5
Montreal	2.77 3/8-3 1/2	Milan	1740-1
Amsterdam	10.07 1/8-10	Oslo	20.00-1
Brussels	140.10 1/8-1	Paris	13.71 1/8-7
Copenhagen	19.34 1/8-1	Zürich	12.10 1/8-1

#### Gilt-edged

Consols 4%	63 1/8	Funding 3% 59-69	81 1/8
Consols 2½%	41 1/8	Savings 3% 60-70	79 1/8
Conversion 5½% 1974	95 1/8	Savings 3% 65-75	71 1/8
Conversion 5% 1971	92 1/8	Savings 2½% 64-67	83 1/8xd
Conversion 3½% 1969	84 1/8	Treasury 5½% 2008-12	91
Conversion 3½%	55 1/8	Treasury 5% 86-89	85 1/8
Exchequer 5½% 1966	99 3/8	Treasury 3½% 77-80	72 1/8
Funding 5½% 82-84	96	Treasury 3½% 79-81	71 1/8
Funding 4% 60-90	87 1/8	Treasury 2½%	40 1/8
Funding 3½% 99-04	62 1/8	Victory 4%	95 1/8
Funding 3% 66-68	83	War Loan 3½%	57 1/8

# Taxation Cases

*Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.*

## Prince v. Phillips

In the High Court of Justice (Chancery Division)  
March 23rd, 1961

(Before Mr Justice BUCKLEY)

*Income tax - Children's allowance - Whether child's income exceeding limit - Income Tax Act, 1952, Section 212.*

The appellant's two sons were born on April 17th, 1940, and April 7th, 1941, and they were in receipt of full-time instruction, and were wholly dependent on the appellant, until July 1957 and October 1957 respectively. The elder son began work in August 1957 and his earnings for 1957-58 were £150. The younger son began work on September 30th, 1957, and his earnings for the same year were £112, and he had to pay £6 in National Insurance contributions, which were admitted to be a proper deduction.

The appellant contended that as each of his sons was not, for part of 1957-58, in receipt of an income exceeding £100 a year, Section 212 (4) of the Income Tax Act, 1952, was satisfied; and that he was entitled to a child allowance in respect of each son for that year. In relation to the second son, he contended, further, that that son had to spend at least £10 in the tax year in question in travelling between his home and his office, and in obtaining a mid-day meal. It was contended on behalf of the respondent that as each son received an income exceeding £100 in respect of 1957-58, no child allowance could be given; and that, in relation to the younger son, the suggested expenditure was inadmissible. The General Commissioners decided that no child allowance was competent.

*Held:* the General Commissioners' decision was correct.

## Duple Motor Bodies Ltd v. Ostime

In the House of Lords - March 28th, 1961  
(Before Viscount SIMONDS, Lord REID, Lord TUCKER, Lord HODSON and Lord GUEST)

*Income tax - Trade - Work in progress - Valuation by direct cost method - Valuation by on-cost method.*

The appellant carried on the business of building motor bodies to order, and few finished bodies were included in the work in progress at the end of an accounting period. In ascertaining the value of work in progress the company used the direct cost method,

that is to say, it took as the cost of the work in progress the direct cost of materials and labour only. The alternative method, the on-cost method, is to add to the direct cost a proportion of the overheads. Both methods are recognized as correct accountancy.

It was contended by the appellant that the direct cost method was the correct method to apply, as it contained no element of arbitrary estimation of other factors. It was contended by the respondent that the on-cost method was the correct method as between the company and the Inland Revenue, because it gave the true profit of each accounting period, and because to exclude the overhead expenditure would attribute all that expenditure to the sales effected during the period.

The Special Commissioners found that 'it is very much a matter of policy for the decision of the directors of a company which method should be used'. They then indicated a preference for the on-cost method, and found that a number of items, called 'factory overheads', should be added to the direct costs, and they stated the questions of law for the opinion of the Court on that basis.

*Held* (affirming the judgment of the Court of Appeal): the view of the Special Commissioners that the on-cost method was preferable was irrelevant; and that the appellant could not be compelled to change to that method.

## Montague L. Meyer Ltd and Canusa Ltd v. Naylor

In the High Court of Justice (Chancery Division)  
March 14th, 1961

(Before Mr Justice BUCKLEY)

*Income tax - Profits tax - Excess profits levy - Subvention payment - Société à responsabilité limitée - Whether agreement to bear loss - Finance Act, 1953, Section 20.*

The appellant companies, incorporated in England, caused two *sociétés à responsabilité limitée* to be incorporated in France, and their day-to-day business was carried on by a *gérant*. But he acted in fact in all matters under the direction of one of the directors, Mr Chisholm, of the first appellant. In November 1953 the *gérant* delegated his duties as *gérant* of both companies to two other persons jointly and severally, one of whom was subject to the control of the other, the other being a director, Mr Meyer, of the first appellant. An agreement was made between the secretary of the second appellant and Mr Meyer that the second appellant should make a subvention payment to one of the French companies in respect of a loss sustained by the latter, and that the French company should repay the sum out of its future profits. This agreement was recorded in the minutes of a directors' meeting of the two appellants on November 18th, 1953, and the appropriate sum was charged in the accounts of the second appellant.

It was contended on behalf of the appellants that there was an effective agreement between the two companies for the purposes of Section 20 of the Finance Act, 1953, as such an agreement did not have to be contractual. On behalf of the respondents it was contended that the section required a contractual agreement. The Special Commissioners

decided that an agreement had not been made. Two other points were argued before the Special Commissioners, but were abandoned by the Inland Revenue in the High Court.

*Held:* there was no agreement, as Mr Meyer had no formal authority to agree on behalf of the French company.

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

### A Flaw in the Jewel?

SIR, — After all the scintillating advocacy of the double-entry system so sparkingly displayed by Mr Mutton in your issue of March 25th, may the 'jewel' be put into the box to speak for itself? Thus:

(1) Depreciation (Revenue Account)	Dr.	£x
Depreciation (Accumulated).	Cr.	£x
(2) Appropriation Account.	.. Dr.	£y
Reserve for Increased Cost of Replacement.	.. .. Cr.	£y

The first entry records a historical fact — that part of the funds originally devoted to the provision of fixed assets has been used up in the course of carrying on the undertaking.

The second entry records the quite separate fact that, since in the future additional funds will be required to cover the excess cost involved in replacement of the fixed asset, therefore savings are being made by restricting the funds available for distribution.

The business man is continually looking forward to the future. His practical mind therefore combines these two separate facts and emphasizes the second. On the other hand, the accountant unfortunately tends to look backwards. He therefore often combines the two facts and emphasizes the first. Both attitudes of mind are wrong. But while the business man's does provide him with a workable conception, the accountant's leads direct to the confusion and argument with which we are all familiar.

What we really need is a new word to replace the phrase 'Reserve for increased cost of replacement'. It is not 'depreciation', and it is important that they

be clearly distinguished. It is more like 'savings', but this term has an asset implication which is not necessarily appropriate to the conception required.

May I suggest, Sir, that this would be a suitable subject for a competition in one of your more light-hearted issues?

Yours sincerely,

London, EC2. R. J. CARTER, B.COM., F.C.A.

### Overseas Students

SIR, — The letter from Messrs Harold Jones & Co (published in *The Accountant* of February 11th) must have given a very unfortunate impression to your readers regarding the reliability and good faith of overseas students generally. I sincerely hope that the case of the 'embryo chartered accountant' from Pakistan is an exceptional one.

All of us from overseas, who served the full period of five years' articleship in the United Kingdom regard that period of their lives as the most fruitful from all aspects including, of course, the educational one. The very pleasant memories we have of those years cannot fail to influence our thoughts and reactions in our subsequent contacts with the British. Many people who qualified as chartered accountants in the United Kingdom now hold very eminent positions in the profession or industry in their own countries and the early vivid impressions they carry of the United Kingdom cannot but be a source of good at a level of contact where it can be of the greatest use.

Speaking for myself, I would not exchange my five years in England for all the tea in Assam! Many of my friends and relatives qualified as chartered accountants from the English Institute and a cousin of mine is even now serving under articles in England. It would be a great pity indeed if due to the bad impression created by one or two unreliable ones, overseas students generally come to be regarded as less than welcome as article clerks in the firms of our fellow members in the United Kingdom. I sincerely hope and pray that that day is far off!

Yours faithfully,

P. K. CHAUDHURI,  
B.SC., A.C.A., A.C.A.(INDIA).

Burnpur,  
West Bengal, India.

# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

## SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, April 5th, 1961, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr S. J. Pears, President, in the chair; Mr P. F. Granger, Vice-President; Messrs J. Ainsworth, C.B.E., E. Baldry, O.B.E., W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, W. G. Densem, S. Dixon, W. W. Fea, Sir Harold Gillett, Bt., M.C., Messrs J. Godfrey, G. G. Gault, L. C. Hawkins, D. V. House, H. L. Layton, R. B. Leech, M.B.E., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., C. U. Peat, M.C., F. E. Price, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, K. G. Shuttleworth, D. Steele, C. M. Strachan, O.B.E., J. E. Talbot, A. H. Walton, V. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C.

### Elections to the Council

Mr John Foster Allan, F.C.A., Liverpool, Mr Eric Hay Davison, F.C.A., London, and Mr Frederick James Weeks, F.C.A., Bristol, were elected members of the Council to fill the vacancies caused by the death of Mr Alexander Dalrymple Walker, F.C.A., and the resignations of Mr Paul Dugan Irons, B.COM., F.C.A., and Mr Philip Vaughan Roberts, F.C.A.

### Annual Report and Accounts for 1960

The annual report of the Council and the accounts of the Institute for the year 1960 were approved for issue to members of the Institute.

### Royal Charters and Bye-laws

The Council approved the terms of resolutions to be submitted to members at a special meeting to be held immediately after the annual meeting on May 3rd, 1961, for the purpose of making alterations to the Royal Charters and bye-laws.

### Company Law Committee

Oral evidence to the Company Law Committee was given on behalf of the Council on March 17th, 1961, by Mr H. A. Benson, C.B.E., F.C.A., Mr P. F. Granger, F.C.A., and Sir Thomas Robson, M.B.E., M.A., F.C.A.

### Stock Exchange: Transfer of Securities

The Council approved the submission to the Stock Exchange, London, of comments on the report of the Committee on Transfer of Securities.

### Education and Training Committee

The Council received the report of the Education and Training Committee.

The Council expressed its warm thanks to the chairman, Mr W. E. Parker, C.B.E., F.C.A., and to the

members of the committee, especially those who are not themselves members of the Council. It also expressed its gratitude to the many persons inside and outside the membership of the Institute who have assisted the committee with evidence and advice, and the Secretariat which has served the committee so well.

It was decided that the report should be referred to the appropriate committees of the Council and to the committees of the district societies. Until these committees have given the report the close study which it requires the Council will not be in a position to indicate its own attitude to the various recommendations. In the meantime, therefore, although the Council has agreed to publication the report should not be looked upon as giving any indication of the views of the Council.

Copies of the report may be obtained free of charge on application to the Secretary, Moorgate Place, London, EC2, on and after Friday, May 5th, 1961.

### Refusal to Register Articles of Clerkship

An applicant for exemption from the Preliminary examination who admitted forging a letter submitted in support of the application has been informed that the Council will refuse to accept for registration articles of clerkship to which he is a party.

### Registration of Articles

The Secretary reported the registration of 197 articles of clerkship during the last month, the total number since January 1st, 1961, being 739.

### Admissions to Membership

The following were admitted to membership of the Institute:

Adamson, Edward Kenyon, A.C.A., 1961; 258 Leigh Road, Worsley, near Manchester.

Ahmad, Kaisar, A.C.A., 1961; 43 Blenheim Terrace, London, NW8.

Alam, Shamsul, A.C.A., 1961; 37 George Road, Edgbaston, Birmingham, 15.

§ Means 'incorporated accountant member.'

¶ Means 'member in practice.'

a indicates the year of admission to the Institute.

aS indicates the year of admission to the Society of Incorporated Accountants.

Firms not marked † or \* are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

- Aldous, Bryan James, A.C.A., 1961; 473B Dereham Road, Norwich, NOR35J.
- Aldridge, John, A.C.A., 1961; 5 Green Close, Hanworth, Middlesex.
- Allan, John Reid, A.C.A., 1961; 373 Manchester Road, Warrington.
- Allcock, John Frank, A.C.A., 1961; 259 Birmingham Road, Redditch, Worcestershire.
- Allen, Martin Cross, B.A., A.C.A., 1961; 9 Hintlesham Avenue, Edgbaston, Birmingham 15.
- Allen, Norman Stanley, A.C.A., 1961; 'Fairview', Clarence Road, Rayleigh, Essex.
- Ally, Mehdi Asgar, A.C.A., 1961; 20 Cranley Gardens, London, SW7.
- Alton, Albert Geoffrey Robinson, A.C.A., 1961; 382 Duffield Road, Darley Abbey, Derby.
- Amer, Colin George, A.C.A., 1961; 6 Newland Drive, Wallasey, Cheshire.
- Amobi, Chiuba Charles, B.A.(COM.), A.C.A., 1961; 7 Conyngham Road, Victoria Park, Manchester 14.
- Anderson, Ian Stewart, A.C.A., 1961; 91 Weston Drive, Stanmore, Middlesex.
- Andrews, Raymond Maurice, A.C.A., 1961; 71 Ravenscroft Road, Beckenham, Kent.
- Annett, Peter, A.C.A., 1961; 253 Silver Lonnen, Newcastle upon Tyne, 5.
- Ardley, Charles Desmond, A.C.A., 1961; 36 Ainsty Avenue, Dringhouses, York.
- Armitage, Roy, A.C.A., 1961; 40 Ashburton Road, Adswold, Stockport.
- Armitt, David Lester, A.C.A., 1961; 16 Burghley Road, Wimbledon, London, SW19.
- Arram, Michael, A.C.A., 1961; 138 Evelyn Court, Amhurst Road, Hackney, London, E8.
- Asafu-Adjaye, John Kwame Boateng, B.COM., A.C.A., 1961; with Midgley, Snelling & Co, Ibex House, Minorities, London, EC3.
- Ashby, Stanley James, A.C.A., 1961; 10 High Street, Polegate, Sussex.
- Ashford, Peter Desmond, A.C.A., 1961; 75 Springfield Avenue, Merton Park, London, SW20.
- Ashurst, Anthony, A.C.A., 1961; 11 Pemberton Street, Hull.
- Ashworth, John Brian, A.C.A., 1961; 29 Hardwick Court, Ackworth Road, Pontefract.
- Astley, Warwick Buchanan, A.C.A., 1961; with Waterhouse & Francis, Saxon Chambers, 8A London Road, St Leonards-on-Sea.
- Atkins, Eric Gibson, A.C.A., 1961; 10 Roslin Way, Bromley, Kent.
- Atkinson, Gerald, A.C.A., 1961; 66 Steinbeck Road, Leeds, 7.
- Atkinson, Roy Wilfred, A.C.A., 1961; 7 Patience Lane, Normanton, Yorks.
- Atkinson, William Silver, A.C.A., 1961; 101 Saxby Road, Melton Mowbray, Leics.
- Austin, John Haldane, B.A., A.C.A., 1961; 128 Bridgewater Drive, Westcliff-on-Sea.
- Bacon, Rodney Martyn, A.C.A., 1961; 'Ashwell', Bovey Tracey, Newton Abbot, Devon.
- Bagshaw, Charles Victor, A.C.A., 1961; 25 Humberstone Lane, Thurmaston, Leicester.
- Baker, Antony John, A.C.A., 1961; 7 Clive Close, Potters Bar, Middlesex.
- §Balendran, Kandiah, A.S.A.A., 1961; 25 Hoop Lane, London, NW11.
- Ball, George Alfred, A.C.A., 1961; 16 Hayes Chase, West Wickham, Kent.
- Barfoot, Paul Wildboar, A.C.A., 1961; 'Palmerston', London Road, Swanley, Kent.
- Barker, George Edward Alexander, A.C.A., 1961; Orchard Cottage, High Elms Lane, Garston, near Watford.
- Barker, John Radcliffe, A.C.A., 1961; 16 Montague Avenue, Gosforth, Newcastle upon Tyne, 3.
- Barker, Thomas, A.C.A., 1961; 9 Carrwood Road, Wilmslow, Cheshire.
- Barlow, Robert Alan, A.C.A., 1961; 22 West Cromwell Road, London, SW5.
- Barron, John Michael, M.A., A.C.A., 1961; 109 Brookcroft Road, Walthamstow, London, E17.
- Barton, Evan Keith, A.C.A., 1961; 333 Gathurst Road, Orrell, Wigan.
- Bates, Eric, A.C.A., 1961; 6 Evistones Gardens, Newcastle upon Tyne, 6.
- Beale, Graham Harold, A.C.A., 1961; 72 Scott's Lane, Shortlands, Kent.
- Bearman, Gordon William, A.C.A., 1961; 264 Mount Pleasant Road, Tottenham, London, N17.
- Beattie, Ronald John, A.C.A., 1961; c/o Burgot Rentals Ltd, 26 Westbourne Grove, London, W2.
- Beeby, John Edward, A.C.A., 1961; 52 Booth Lane South, Weston Favell, Northampton.
- Bekhor, David Hai, A.C.A., 1961; 199 Woodcock Hill, Kenton, Harrow, Middlesex.
- Bell, Maurice Allen, A.C.A., 1961; 13 Weeksland Road, Chelston, Torquay.
- Belt, John Stewart, A.C.A., 1961; 34 Firs Road, Edwalton, Nottingham.
- Bennett, Graham David, A.C.A., 1961; Rudge Hill House, The Edge, near Stroud, Glos.
- Bennett, Jeremy John Trevithick, A.C.A., 1961; 151 Pampisford Road, South Croydon, Surrey.
- Berg, Norman Maurice, A.C.A., 1961; 6 Porlock Road, Llanrumney, Cardiff.
- Bergman, James Henry Richard, A.C.A., 1961; 28 Camborne Avenue, North Fields, London, W13.
- Berlanny, Brian Peter, A.C.A., 1961; 13 Chaulden House Gardens, Chaulden Lane, Hemel Hempstead, Herts.
- Berry, David Charles, A.C.A., 1961; 6 Hillbury Avenue, Kenton, Harrow, Middlesex.
- Berry, Graham Vivian, A.C.A., 1961; 2 The Avenue, Barnet, Herts.
- Berry, James Arthur, A.C.A., 1961; 20 Holland Avenue, Cheam, Surrey.
- Bicknell, Ralph, A.C.A., 1961; 245 Commonsides East, Mitcham, Surrey.
- Billingham, Graham John, A.C.A., 1961; 51 Charnwood Avenue, Westone, Northampton.
- Binks, Alan Cedric, A.C.A., 1961; 85 Cemetery Road, Pudsey, Yorks.
- Bird, Roger Leslie, A.C.A., 1961; 2 Woodfield Avenue, Northwood, Middlesex.
- §Biswas, Chittaranjan, A.S.A.A., 1961; with John Diamond & Co, 73 Basinghall Street, London, EC2.
- Blake, Michael John, A.C.A., 1961; 5 Ovington Grove, Fenham, Newcastle upon Tyne, 5.
- Blaxter, David, A.C.A., 1961; 111 Northbrook Road, Ilford.
- Boatman, Barrie Reginald, A.C.A., 1961; 34 Grove Crescent, Kingsbury, London, NW9.
- Bolton, Gerald Rodney, A.C.A., 1961; 9 Keats Road, Daventry, Northants.
- Bolton, John Douglas, A.C.A., 1961; 30 Banks Avenue, Meols, Wirral.
- Bolton, Michael, A.C.A., 1961; 1 Victoria Avenue, Quinton, Birmingham, 32.
- Bond, Christopher Barrie, A.C.A., 1961; Chief Accountant, Ind Coope (London) Ltd, Cannon Brewery, 160 St John Street, London, EC1.
- Booth, Alan Hoggarth, A.C.A., 1961; 11 Greyfriars Crescent, Fulwood, Preston.
- Bouc, Joseph Gaetan, A.C.A., 1961; 126 Pickhurst Lane, Hayes, Bromley, Kent.
- Boulter, Terry Leonard, A.C.A., 1961; 14 Penclose, Trennant Road, Leicester.
- §Bourke, Thomas Francis, A.S.A.A., 1961; 24 Palmers Avenue, Grays, Essex.
- Bourne, Walter, A.C.A., 1961; 22 Denison Road, Hazel Grove, Stockport.
- Bowen-Bravery, Bryan, A.C.A., 1961; 34 Heol Pantycelyn, Whitchurch, Glam.



- Bowes, Richard Norton, B.A.(COM.), A.C.A., 1961; 'Brierfield', Ashfield Road, Hale, Altrincham.
- Brackin, Austen John, B.A., A.C.A., 1961; 26 Orchard Drive, Horsell, Woking.
- ¶Bradbury, William Alfred Neil, A.C.A., 1961; 6 King Street, Oldham.
- Bradman, Godfrey Michael, A.C.A., 1961; 23 Campbell Avenue, Barkingside, Essex.
- Bradshaw, Eric, A.C.A., 1961; 96 Beresford Road, Longsight, Manchester, 13.
- Braham, Michael Alan, A.C.A., 1961; 89 Mount Pleasant Road, Willesden, London, NW10.
- §Braham, Raymond Peter, A.S.A.A., 1961; 209 Gleneagles, Killarney, Johannesburg.
- Brampton, David Geoffrey Wilson, A.C.A., 1961; 10 Gainsborough Road, Sudbury, Suffolk.
- Braxton, Alan George, A.C.A., 1961; 36 Keswick Avenue, Hornchurch, Essex.
- Bray, Geoffrey, A.C.A., 1961; 'The Sheiling', Loudwater, Rickmansworth, Herts.
- Brecknell, Michael Anthony, B.Sc.(ECON.), A.C.A., 1961; 198 Church Hill Road, North Cheam, Surrey.
- Breen, Paul, A.C.A., 1961; 2 Freshfield Road, Formby, Liverpool.
- Brett, Charles Edward Francis, A.C.A., 1961; White House, Blofield, Norwich, Norfolk, NR84Z.
- Brining, Michael David, M.A., A.C.A., 1961; 39 Langley Road, Slough, Bucks.
- Brison, John Alan, A.C.A., 1961; 409 Shields Road, Heaton, Newcastle upon Tyne, 6.
- Broadbent, Bevan Winston, A.C.A., 1961; with E. Broadbent, Fish & Co, 1, 2, 3 & 4 Clarence Arcade Chambers, Ashton-under-Lyne.
- Broadwell, Alan, A.C.A., 1961; 58 Parkstone Road, Scraptoft Lane, Leicester.
- Broderick, David John, A.C.A., 1961; 19 Lyndon Avenue, Great Harwood, near Blackburn.
- Brookes, Jeffrey William, A.C.A., 1961; 36 Eastdown House, Amhurst Road, London, E8.
- Brooks, Terence Charles, A.C.A., 1961; 71 Cannington Road, Dagenham, Essex.
- Broomhead, John Hugh, B.A., A.C.A., 1961; 6 Throstle Nest Drive, Harrogate.
- Brown, Derek Raymond, A.C.A., 1961; 11 Thingwall Avenue, Broadgreen, Liverpool, 14.
- Brown, Richard Edward, A.C.A., 1961; 50 The Drive, Rickmansworth, Herts.
- Browning, Frank Gifford, A.C.A., 1961; 24 Copsleigh Close, Salfords, Surrey.
- Browning, Walter Geoffrey, A.C.A., 1961; 135 Fog Lane, Didsbury, Manchester, 20.
- Bryant, (Miss) Elsie Mary, A.C.A., 1961; 23 Melody Road, Wandsworth, London, SW18.
- Buckingham, Dennis George, A.C.A., 1961; 120 Cavendish Avenue, Harrow.
- Buckle, John Frederick, A.C.A., 1961; 246 Fulham Road, South Kensington, London, SW10.
- Buckley, Brian Holden, B.A., A.C.A., 1961; 'Mirasol,' Islay Road, Lytham, Lancs.
- Bunt, Brian Stanley, A.C.A., 1961; 42 Lowden Road, Herne Hill, London, SE24.
- Burchell, Jeremy Joseph Benjamin, A.C.A., 1961; 68 Grove Hall Court, Hall Road, London, NW8.
- Burton, Christopher Brian, A.C.A., 1961; with Price Waterhouse & Co, 101/103 Bochenheimer Landstrasse, Frankfurt/Main, Germany.
- Burney, Zamir-ul-Hasan, A.C.A., 1961; with West, Wake, Price & Co, 6 Broad Street Place, London, EC2.
- Burrows, Gordon Edwin Charles, A.C.A., 1961; 54 Braemar Avenue, London, N22.
- Burton, Frank Milner, A.C.A., 1961; 5 Edenhall Avenue, Levenshulme, Manchester 19.
- Bush, John Graham, A.C.A., 1961; 'Upcott,' Tudor Road, Beckenham, Kent.
- Bushell, Cyril Anthony, A.C.A., 1961; 245 Eaton Road, West Derby, Liverpool, 12.
- Butler, Ernest James, A.C.A., 1961; 16 Riverside Drive, Frenchay, Bristol.
- Buxton, Peter, A.C.A., 1961; 322 City Road, Sheffield, 2.
- Cadd, Norman Harry, A.C.A., 1961; 1 Mayfield Road, Chorley, Lancs.
- Cairns, Michael Anthony, A.C.A., 1961; 'Deansway,' Stoke Row, near Henley-on-Thames.
- Cameron, Andrew John, A.C.A., 1961; c/o Laporte Titanium Ltd, Battery Works, Stallingborough, Grimsby.
- Cameron, Brian Keith, A.C.A., 1961; 13 Springfield Court, Springfield Road, Kingston upon Thames, Surrey.
- Cannan, Michael Barry, A.C.A., 1961; 44 Cressingham Grove, Sutton, Surrey.
- Canneaux, Anthony Bradley, A.C.A., 1961; 'Lychgate,' Church Road, Tarring, Worthing.
- Cantelo, Alan Edward, A.C.A., 1961; 4 Alverton Court, Tonsley Street, London, SW18.
- Capper, Anthony David, A.C.A., 1961; The Harrington Hotel, Gloucester Road, Kensington, London, SW7.
- Capstick, Geoffrey, A.C.A., 1961; 7 Belah Crescent, Stanwix, Carlisle.
- Carew, John Stanley George, A.C.A., 1961; 7 Cator Road, Sydenham, London, SE26.
- Carpenter, Peter John, A.C.A., 1961; 39 Stanley Avenue, Beckenham, Kent.
- Carruthers, Donald, A.C.A., 1961; 20 Carlton Road, Walkden, Manchester.
- Carter, (Miss) Brenda May, A.C.A., 1961; The Old Fox, 60 Fox Road, Bristol, 2.
- §Carvolth, Ronald Hartley, A.S.A.A., 1961; 22 Floss Street, Kensington, Johannesburg.
- Castley, David Roger, A.C.A., 1961; 87 Addison Road, London, W14.
- Cave, John Halliday, A.C.A., 1961; 11 King's Road, Barnet.
- Cecil-Wright, James Allan, A.C.A., 1961; 'Foxdenton,' Lickey Square, Rednal, Birmingham.
- Ceeney, Michael Ernest, A.C.A., 1961; 257 Gladstone Avenue, Wood Green, London, N22.
- Chadwick, Peter Ian, A.C.A., 1961; 40 Valescourt Road, West Derby, Liverpool, 12.
- Chait, Stuart Alan, B.A.(ECON.), A.C.A., 1961; 5D Hyde Park Mansions, London, NW1.
- Chakko, Philip Francis, A.C.A., 1961; 30 Twyford Avenue, London, W3.
- Chamberlain, Michael, A.C.A., 1961; 94 Welby Lane, Melton Mowbray, Leics.
- Chanter, David John, M.A., A.C.A., 1961; c/o Westminster Bank Ltd, 29 Temple Fortune Parade, London, NW11.
- Chapman, Barry David, A.C.A., 1961; 34 Burlington Gardens, Hadleigh, Essex.
- Chapman, Terence David, A.C.A., 1961; 15 Danes Hill Road, Leicester.
- Chapple, Bryan Gee, A.C.A., 1961; 28 Bramley Road, Cheam, Surrey.
- Cheesebrough, Frederick William, A.C.A., 1961; 141 Malvern Road, Billingham, Co Durham.
- Chesterfield, John Desborough, A.C.A., 1961; 268 Chanctonbury Road, Burgess Hill, Sussex.
- Chisholm, Alan, A.C.A., 1961; 51 Meadow Grove, South Hylton, Sunderland.
- Chisholm, David Adam, A.C.A., 1961; 29 Tennyson Street, off Forest Road, Nottingham.
- Chitty, Julian, A.C.A., 1961; 123A Queen's Gate, London, SW7.
- Christie, John Denton, A.C.A., 1961; 33 Avondale Gardens, Hounslow, Middlesex.
- Church, Kenneth Victor, A.C.A., 1961; 6 Wood End Way, Northolt, Middlesex.
- Clark, Robert Edward, Arthur A.C.A., 1961; The Cross House, Gresford, near Wrexham.
- Clarke, Donald Roberts, B.A., A.C.A., 1961; 29 Mowbray Road, London, NW6.
- Clarke, John Evelyn, A.C.A., 1961; with E. J. H. Clarke & Co, 310/312 Chiswick High Road, London, W4.

- Clarke, John Neville, A.C.A., 1961; 41 Larkfield Road, Richmond, Surrey.
- Clifford, Cyril Kenneth, A.C.A., 1961; 34 Panmure Road, Sydenham, London, SE26.
- Cobden, Reginald Charles, A.C.A., 1961; 5 Meadowbrook Road, Dorking, Surrey.
- Coker, (Miss) Rosemary, A.C.A., 1961; 75 Burnham Road, Dartford, Kent.
- Colcombe, Oliver Knight, A.C.A., 1961; Severn House, Epney, near Saul, Glos.
- Cole, David Frank, A.C.A., 1961; 31 Caterham Drive, Old Coulsdon, Surrey.
- Coles, (Miss) Barbara Elizabeth, A.C.A., 1961; 'Fairway', Old Barn Lane, Croxley Green, Rickmansworth, Herts.
- Collier, John Joseph Levi, A.C.A., 1961; 14 Slater Street, High Wycombe, Bucks.
- Collins, James Weston, A.C.A., 1961; 'Oakome', Ponds Road, Galleywood, Chelmsford.
- Collins, Peter Edward, A.C.A., 1961; 95 Forest Approach, Woodford Green, Essex.
- Collinson, Robert Ian, A.C.A., 1961; 65 Beckfield Lane, Acomb, York.
- Collyer, Brian Percy, A.C.A., 1961; 37 Burnham Street, Sherwood, Nottingham.
- Conyers, Brian, A.C.A., 1961; 12 Hepworth Drive, Hepworth Lane, Mirfield, Yorks.
- Cook, John Francis, A.C.A., 1961; with Spain Brothers & Co, 1 Old Burlington Street, London, W1.
- Cook, Martin Richard, A.C.A., 1961; 40 Conaglen Road, Leicester.
- §Coombs, Derrick Hugh Jamieson, A.S.A.A., 1961; with Douglas, Low & Co, P.O. Box 2820, Johannesburg.
- Cooper, John Malcolm Peter, A.C.A., 1961; 30 Rydal Gardens, Hounslow, Middlesex.
- Cooper, Michael John, A.C.A., 1961; Hough Manor, Hough, Crewe.
- Cooper, (Miss) Linda Thora Ellen, A.C.A., 1961; 58 Whitehall Road, Grays, Essex.
- Cooper, Patrick Ernest, A.C.A., 1961; 19 Princes Gate Mews, London, SW7.
- Cooper, Roy, A.C.A., 1961; 78 Hampton Road, Forest Gate, London, E7.
- Corley, Anthony Hugh Thomas, B.A.(ECON.), A.C.A., 1961; 143 Holland Park Avenue, London, W11.
- Cornfield, Peter David, A.C.A., 1961; 55 Exeter Gardens, The Drive, Ilford.
- Cornwell, Charles Austin, A.C.A., 1961; 21 Boulter Gardens, Rainham, Essex.
- Coulter, John Malcolm, A.C.A., 1961; 7 Turnfield Road, Schools Hill, Cheshire.
- Couse, Philip Edward, A.C.A., 1961; 81 Fitzroy Avenue, Harborne, Birmingham, 17.
- Cox, Peter Elliot, A.C.A., 1961; 164 Forest Hill Road, Honor Oak, London, SE23.
- Coxe, Clifford Arthur Michael, A.C.A., 1961; with Down, Son & Harper, 44 Bow Lane, London, EC4.
- Coxon, John Donald, A.C.A., 1961; 10 Railway Terrace, Hetton-le-Hole, Co. Durham.
- Craggs, William Lee, A.C.A., 1961; 124 Tunstall Road, Sunderland.
- Crammond, Timothy Ronald, A.C.A., 1961; 150 Chyngton Cottages, Seaford, Sussex.
- Crane, Robert Anthony, LL.B., A.C.A., 1961; 10 Dalton Street, London, SE27.
- Crawley, Dennis Charles, A.C.A., 1961; 91 Parkanaur Avenue, Thorpe Bay, Essex.
- Crawshaw, Richard Hugh, B.A., A.C.A., 1961; 4 Weetwood Avenue, Leeds, 16.
- Creed, John Michael, A.C.A., 1961; 13 Welton Avenue, Upton, Wirral.
- Cresswell, Roger Alan, B.A., A.C.A., 1961; 22 Broad Walk, Wilmslow, Cheshire.
- Crook, John Arthur, A.C.A., 1961; 33 Ironside House, Kingsmead Estate, Homerton, London, E9.
- Croome, Brian John, A.C.A., 1961; 30 Highland Road, Leamington Spa, Warwick.
- Cropper, Brian, A.C.A., 1961; 406 Shawclough Road, Lowerfold, Rochdale.
- Crowhurst, Eric William, B.Sc.(ECON.), A.C.A., 1961; 27 Brooklyn Drive, Emmer Green, Reading.
- Cuke, David Edwin Victor, A.C.A., 1961; c/o Bovell & Skeete, Lucas Street, Bridgetown, Barbados, West Indies.
- Cundy, Roy, A.C.A., 1961; 61 Cockayne Place, Sheffield, 8.
- Cunningham, Geoffrey, A.C.A., 1961; 1 Keith Way, Southend-on-Sea.
- Cunningham, Paul Massey, A.C.A., 1961; 25 Grimshaw Lane, Ormskirk, Lancs.
- Cushnir, Alan Maurice, A.C.A., 1961; 4 Amery Road, Harrow, Middlesex.
- Cutting, David Ralph, A.C.A., 1961; 67 Southbrook Road, Lee, London, SE12.
- Dalby, John Charles, M.A., A.C.A., 1961; 'Grange Fell', Leigh Woods, Bristol, 8.
- Daniels, John Wilson, B.A., A.C.A., 1961; 'Kern Tor', Higher Down, Yelverton, near Plymouth.
- Dann, Arnold Michael Hamilton, A.C.A., 1961; 69 Beauclair Drive, Liverpool, 15.
- Davey, John Samuel, A.C.A., 1961; 40 Newbridge Road, St Annes, Bristol, 4.
- Davey, Ronald John, A.C.A., 1961; 17 St Leonard's Street, Bedford.
- Davidson, Geoffrey, A.C.A., 1961; 11 Newlands Avenue, Sunderland.
- Davies, Geoffrey Walter, B.Sc.(ECON.), A.C.A., 1961; 65 Royston Park Road, Hatch End, Middlesex.
- Davies, Julian Penry, A.C.A., 1961; 11 Highcombe Close, Mottingham, London, SE9.
- Davies, Robin Eric, A.C.A., 1961; 14 Aconbury Avenue, Putson, Hereford.
- Davies, Roger William, A.C.A., 1961; 2 Ridgeway Grove, Newport, Mon.
- Davis, Howard Ivor, A.C.A., 1961; 80 Woodlands, London, NW11.
- Davis, William Edward, A.C.A., 1961; The Garage, Childwickbury, St Albans.
- Dawson, Alan, A.C.A., 1961; 89A Bolton Road, Pendleton, Salford, 6.
- Dawson, Michael George, A.C.A., 1961; 34 Belmont Avenue, Stoughton, Guildford.
- Day, Gerard, A.C.A., 1961; 376 Pontefract Road, Lundwood, Barnsley.
- Deakin, Brian, B.Sc.(ECON.), A.C.A., 1961; 10 Colville Square, London, W11.
- Delmege, Antony David, A.C.A., 1961; 24 Seymour Road, Lee-on-Solent, Hants.
- Denham, Anthony Charles, A.C.A., 1961; 24 Towers Road, Hatch End, Middlesex.
- Dennett, John Graham, A.C.A., 1961; 'Willow Green', Ockham Road North, East Horsley, Surrey.
- Derenburg, Michael Percival, A.C.A., 1961; 'Lyntonmore', Pyrford, Woking.
- de Silva, Don Simon Patabendi Sirisena, B.Sc., A.C.A., 1961; 14 Arundel Gardens, London, W11.
- Desmond, (Miss) Margaret Elizabeth, A.C.A., 1961; 'Nutfield', Heath Road, Weybridge.
- Devey, John Michael, A.C.A., 1961; 19 Lambert Road, Fallings Park, Wolverhampton.
- Dewhurst, Roland Frederick James, M.A., A.C.A., 1961; 76 Adelaide Road, London, NW3.
- Dobson, Keith, A.C.A., 1961; 33 Sandhurst Road, Gloucester.
- Docker, Alan William, A.C.A., 1961; 8 Milton Close, Headless Cross, Redditch, Worcs.
- Dodds, John Arthur, A.C.A., 1961; 15 Sandilands, East Croydon, Surrey.
- Dodge, Michael John, A.C.A., 1961; 202 Chislehurst Road, Petts Wood, Orpington, Kent.
- Donald, William Pennington, A.C.A., 1961; 11B Brooklands, Filey, East Yorks.

- Donert, Paul Stephen, A.C.A., 1961; 72 Beaufort Park, London, NW11.
- Dosser, Brian, A.C.A., 1961; 33 Claremont Road, Regents Park, Southampton.
- Doughty, John Brian, A.C.A., 1961; 8 Phoenix Lodge Mansions, Brook Green, London, W6.
- Drayson, David Geoffrey, A.C.A., 1961; 23 Palmerston Road, Buckhurst Hill, Essex.
- Drew, Gerald Charles, A.C.A., 1961; 15 Wolsey Close, Coombe Lane, Kingston Hill, Surrey.
- Duke, Stanley Timothy, A.C.A., 1961; 2 Sandringham Gardens, Crouch End, London, N8.
- Dunning, Seton, A.C.A., 1961; White Hart Cottage, Marshfield, Chippenham, Wilts.
- Ebenezer, John Edward, A.C.A., 1961; 101 Cumberland House, Kingston Hill, Kingston upon Thames, Surrey.
- Edwards, Bernard Hammerton, A.C.A., 1961; 60 Linden Avenue, Herne Bay, Kent.
- Edwards, Ronald Norman, B.COM., A.C.A., 1961; 707 Walsall Road, Great Barr, Birmingham, 22A.
- Edwards, William John, A.C.A., 1961; 8 Wyverne Road, Chorlton-cum-Hardy, Manchester, 21.
- Eggins, William John, B.A., A.C.A., 1961; 'Leigh', Roborough, Plymouth.
- Ellis, Jeremy Adam Hirst, A.C.A., 1961; with James, Edwards & Co, Salisbury House, London Wall, London, EC2.
- Ellis, John Henry, A.C.A., 1961; 6 Willow Close, Woodham Park Way, West Byfleet, Surrey.
- Ellison, Richard Bryce, M.A., A.C.A., 1961; 'Westhaven', Birkenhead Road, Meols, Wirral.
- England, John Christopher, A.C.A., 1961; Wheatfield House, Brockholes, Huddersfield.
- Escudier, Brian John, A.C.A., 1961; 13 Haslemere Avenue, East Barnet, Herts.
- Evans, Alan William, A.C.A., 1961; 39 Orchard Court, Portman Square, London, W1.
- Evans, Kenneth Royston, A.C.A., 1961; 'Richmond', School Road, Bagnall, Stoke-on-Trent.
- Evans, Peter Burnett, A.C.A., 1961; 91 Bingham Road, Radcliffe-on-Trent, Nottingham.
- Everett, Anthony Charles, A.C.A., 1961; 9 Courtfield Gardens, London, SW5.
- Everett, (Miss) Ruth Mary, A.C.A., 1961; Further Hill Farm, Cookley, Halesworth, Suffolk.
- Fairbairn, John Sydney, B.A., A.C.A., 1961; 44 Hans Road, London, SW3.
- Fairhurst, David John, A.C.A., 1961; 353 Wigan Lane, Wigan.
- Falek, Leo, B.SC.(ECON.), A.C.A., 1961; 34 Gladstone Court, Anson Road, London, NW2.
- Faris, John Brian, A.C.A., 1961; 26 Parkway, Ratton Manor, Willingdon, Eastbourne.
- Farmery, David Charles Edwin, A.C.A., 1961; 197 Slade Lane, West Point, Manchester, 19.
- Farquhar, Iain Edward Mark, A.C.A., 1961; 12 Poplar Grove, Pontefract.
- Farrar, Norman Anthony, A.C.A., 1961; 36 Kings Drive, Wrose, Bradford, 2.
- Faulkner, James Alexander, A.C.A., 1961; 112 Dulverton Road, New Eltham, London, SE9.
- Fawcett, Benjamin Hall, A.C.A., 1961; 1 Augusta Street, Grimsby.
- Fawcett, William Thirlwall, A.C.A., 1961; 15 Lingdale Avenue, South Bents, Whitburn, Co Durham.
- Fearn, John David, A.C.A., 1961; School House, Parwich, Ashbourne, Derbyshire.
- Fee, Arthur John, A.C.A., 1961; 39 Brooklands Road, Carlton Hill, Nottingham.
- Feldman, Henry Lewis, A.C.A., 1961; 27 Chestnut Avenue, Canons Drive, Edgware, Middlesex.
- Fell, Malcolm, A.C.A., 1961; 71 Elland Road, Leeds, 11.
- Felton, Anton Peter, A.C.A., 1961; 12 Frognal Lane, London, NW3.
- Ferguson, Gordon Thomas, A.C.A., 1961; 78 Melrose Avenue, Cricklewood, London, NW2.
- Ferguson, Henry Robert Hawkins, A.C.A., 1961; 31 Highfield Park, Maghull, near Liverpool.
- Fernando, Dudley Lancelot, B.SC., A.C.A., 1961; 97 Chesterton Road, London, W10.
- Fernihough, Christopher Bower, A.C.A., 1961; 60 Ridgway Place, Wimbledon, London, SW19.
- Field, Phillip Richard, A.C.A., 1961; 7 Highview Gardens, Edgware, Middlesex.
- Fieldhouse, Roger, A.C.A., 1961; 6 Fernleigh Road, Grange-over-Sands, Lancs.
- Fine, Anthony Gordon, A.C.A., 1961; 'Green Lanes', Ty-Gwyn Crescent, Cardiff.
- Fitchett, Keith George William, A.C.A., 1961; 78 Vera Road, South Yardley, Birmingham, 26.
- Fletcher, David Robert, A.C.A., 1961; 76 Norman Avenue, Eccleshill, Bradford, 2.
- Fletcher, Giles, A.C.A., 1961; 35 St Mark's Avenue, Salisbury, Wilts.
- Fletcher, John Michael, A.C.A., 1961; 19 Norval Road, North Wembley, Middlesex.
- Flind, Christopher James, A.C.A., 1961; 12A West Hill Court, Millfield Lane, Highgate, London, N6.
- Flint, Brian William, A.C.A., 1961; 24 Ravensdale Avenue, Long Eaton, Nottingham.
- Foott, Alexander Mitchell, A.C.A., 1961; 6 Melbury Road, Bramhall, Cheshire.
- Ford, Arnold Frank, A.C.A., 1961; 72 Gibson's Hill, Norbury, London, SW16.
- Forster, Allan James, A.C.A., 1961; 56 Hayes Road, Bromley, Kent.
- Forwood, Philip Langton, A.C.A., 1961; with Jackson, Pixley & Co, Kent House, Telegraph Street, London, EC2.
- Foster, Alan, A.C.A., 1961; c/o 37 Coppice Road, Ryhall, near Stamford, Lincs.
- Foster, John Hugh Birkhead, A.C.A., 1961; 12 Conway Road, Wimbledon, London, SW20.
- Fowler, Ian Russell, A.C.A., 1961; 60 Wolmer Gardens, Edgware, Middlesex.
- Fowler, Maurice Anthony, A.C.A., 1961; 77 Auckland Rise, Upper Norwood, London, SE19.
- Frame, David William, A.C.A., 1961; 'Greysands', Woodham Lane, Woking.
- Frank, Clement McBean, A.C.A., 1961; 'Briar Plat', Tylers Green, Cuckfield, Haywards Heath, Sussex.
- Fraser, Robert William, A.C.A., 1961; 20 Gracedale Road, Streatham, London, SW16.
- Freeda, Raymond, A.C.A., 1961; R. Freeda & Co, 106 Great Russell Street, London, WC1.
- Frewer, John Edwin, B.A.(ECON.), A.C.A., 1961; 33 Dalston Road, Carlisle.
- Fry, John, A.C.A., 1961; 28 Shelton Way, Luton.
- Fryer, Roger Stanley, A.C.A., 1961; 285 New Bedford Road, Luton.
- Galletly, John Milner, A.C.A., 1961; The Marlborough Hotel, Richmond, Surrey.
- Gallon, John Frederick, A.C.A., 1961; 84 Shinfield Road, Reading.
- Gascoigne, Peter George, A.C.A., 1961; 18 Beverley Gardens, Cullercoats, North Shields, Northumberland.
- Gearey, John Marchant, A.C.A., 1961; 29 Mill View Road, Tring, Herts.
- George, Donald Frederick Morley, A.C.A., 1961; 47 Scott Park Road, Burnley.
- George, Vernon John, B.SC.(ECON.), A.C.A., 1961; 6 Clarendon Road, South Woodford, London, E18.
- Gibbs, David Charles, A.C.A., 1961; 5/6 Coombe Cottages, Streaitley-on-Thames, Reading.
- Gilbey, Alan, A.C.A., 1961; 59 Cleveleys Road, London, E5.
- Gillam, Philip John, A.C.A., 1961; 153 Tennyson Road, Luton.

- Gillibrand, Michael Francis, A.C.A., 1961; with K. A. Easby, Oak House, Bedale, North Yorks.
- Gillott, Alan Henry, A.C.A., 1961; 631 Honeypot Lane, Stanmore, Middlesex.
- Gilmore, Alan Stanley, A.C.A., 1961; 6 Sibford Road, West Derby, Liverpool, 12.
- Glenn, Malcolm, A.C.A., 1961; 24 Abbotshall Avenue, Southgate, London, N14.
- Glover, Christopher Michael, A.C.A., 1961; 'Isfryn', Tygwyn Crescent, Cardiff.
- Glover, Thomas William, A.C.A., 1961; 273 High Street, Solihull Lodge, Solihull, Warwicks.
- Goldsmith, Walter Kenneth, A.C.A., 1961; 5 Cardinal Avenue, Morden Park, Surrey.
- Gomersall, Maxwell, A.C.A., 1961; 85 Lunedale Road, Darlington.
- Gordon, John David, A.C.A., 1961; 79 Priory Road, Anfield, Liverpool, 4.
- Gordon, Thomas Vernon Strachan, B.A., A.C.A., 1961; 5 Spriggs Oak, Epping.
- Goswell, Patrick, A.C.A., 1961; 9 Ramsey Road, Dovercourt Bay, Harwich, Essex.
- Grand, Sion, A.C.A., 1961; 341 Chigwell Road, Woodford Green, Essex.
- Grant, Peter, A.C.A., 1961; 20 The Oaks, Great Burstead, Billericay, Essex.
- Gravelius, Alan Jakob, A.C.A., 1961; 54 Okehampton Close, Friern Park, London, N12.
- Gray, Alan, A.C.A., 1961; 4 Coldwell Park Drive, Felling, Gateshead, 10.
- Gray, Philip Graham Walter, A.C.A., 1961; 7 Cecily Hill, Cirencester, Glos.
- Greeley, Paul William, A.C.A., 1961; 8 West Heath Road, Abbey Wood, London, SE2.
- §Green, Malcolm, A.S.A.A., 1961; 25 Morpeth Avenue, South Shields, Co. Durham.
- Green, Nigel Townley, A.C.A., 1961; 8 Carr Wood Road, Bramhall, Cheshire.
- Greenberg, Lawrence, A.C.A., 1961; 10 Goodwood Mansions, Stockwell Road, Brixton, London, SW9.
- Greenhalgh, William Michael, A.C.A., 1961; Flat 26, Eastgate House, High Street, Guildford.
- Greenhow, David Henry, A.C.A., 1961; Cherry Tree Cottage, Blackpond Lane, Farnham Royal, Bucks.
- Griffin, David, LL.B., A.C.A., 1961; 3 Birch Avenue, Old Trafford, Manchester, 16.
- Griffin, Donald Sem, B.A.(ECON.), A.C.A., 1961; 43 Roxborough Park, Harrow, Middlesex.
- Griffiths, Brian Linson, M.A., A.C.A., 1961; 12 Vicarage Road, Edgbaston, Birmingham, 15.
- Griffiths, Dewi, B.A., A.C.A., 1961; 55 Ropewalk Road, Llanelly, Carmar.
- Griffiths, Leslie Gordon, A.C.A., 1961; 48 Strawberry Road, Retford, Notts.
- Grocock, Trevor Charles, A.C.A., 1961; 22 Derwen Fawr Road, Sketty Green, Swansea.
- Groom, Colin John, A.C.A., 1961; 11 Alexandra Road, Hunstanton, Norfolk.
- Grover, Kevin, A.C.A., 1961; 'Four Winds', Quaker's Walk, Bush Hill, London, N21.
- Gruselle, Martin Harold, A.C.A., 1961; 'Quiet Harbour', Newlands Close, Sidmouth, Devon.
- Guest, Ted Robert Gerald, A.C.A., 1961; 11 Boulton Road, Thorpe St Andrew, Norwich.
- Gutteridge, Richard Newton, A.C.A., 1961; 3 Annes Walk, Caterham, Surrey.
- Hallam, Geoffrey William, A.C.A., 1961; 31 Narborough Road South, Leicester.
- Halls, Nigel John, A.C.A., 1961; 117 London Road, Gloucester.
- Hamilton, Gavin Graham, A.C.A., 1961; 18 Wakerley Road, Evington, Leicester.
- Hamnett, Christopher Brian, A.C.A., 1961; 5 Colwyn Avenue, Fallowfield, Manchester, 14.
- Hampton, Harold Wilford, A.C.A., 1961; The Court House, Pattingham, near Wolverhampton.
- Hann, Alan Horace, A.C.A., 1961; 19 Tilehurst Road, Cheam, Sutton, Surrey.
- Hansom, Theodore Richard, A.C.A., 1961; 38 Burwood Park Road, Walton-on-Thames, Surrey.
- Harbour, Ronald James, A.C.A., 1961; 12 Nuthurst Avenue, Streatham Hill, London, SW2.
- Harding, Nicholas John, A.C.A., 1961; 'Ryecroft', Jordans, Bucks.
- Harding, Sidney Brian, A.C.A., 1961; De Walden Rooms, Charlbert Street, London, NW8.
- Harfield, Frank, A.C.A., 1961; 62 Hawthorn Crescent, Cosham, Portsmouth.
- Harper, Leonard Herbert, A.C.A., 1961; 27 Fernhill Court, Forest Road, London, E17.
- Harries, John Michael, B.Sc.(ECON.), A.C.A., 1961; 56 Queen Victoria Road, Llanelly.
- Harris, Clifford John, A.C.A., 1961; 160 Ferncliffe Road, Harborne, Birmingham, 17.
- Harris, Jacob Melvin, A.C.A., 1961; 257 Balham High Road, London, SW17.
- Harris, Jessel Rhodes, A.C.A., 1961; 20B Kidbrooke Grove, Blackheath, London, SE3.
- Harris, John Laurence, A.C.A., 1961; 26 The Avenue, Beckenham, Kent.
- Harrison, Alan, A.C.A., 1961; 49 Birch Street, West Gorton, Manchester, 12.
- Harrison, Albert, A.C.A., 1961; 156 London Road, Blackburn.
- Hart, Graham Cyril, A.C.A., 1961; 30 Earlsfield Road, Hythe, Kent.
- Hart, Robert James Morrill, A.C.A., 1961; 3 Brands Hill Avenue, High Wycombe, Bucks.
- Hartley, George Bryan Hardy, A.C.A., 1961; 87 Coombe Lane, Westbury-on-Trym, Bristol.
- Hass, Sidney, B.Sc.(ECON.), A.C.A., 1961; 48 Egerton Gardens, London, NW4.
- Hatherall, Alan John, A.C.A., 1961; 39 Forest Avenue, Forest Hall, Newcastle upon Tyne, 12.
- Havens, David Edward, A.C.A., 1961; 51 Dudley Avenue, Kenton, Harrow.
- Hayward, Alan Derek, A.C.A., 1961; 99 Connell Crescent, Ealing, London, W5.
- Hayward, Ernest Vincent, A.C.A., 1961; 34 Five Oaks Road, Willenhall, Staffs.
- Henderson, John Edward, A.C.A., 1961; 31 Maple Avenue, Whitefield, Manchester.
- Henley, Bernard, A.C.A., 1961; 56 Otto Terrace, Sunderland.
- §Henrey, Michael Julian, A.S.A.A., 1961; c/o Anglo-American Corp'n. of South Africa Ltd, P.O. Box 4587, Johannesburg.
- Herbert, Barry Charles, A.C.A., 1961; 78 Bowyer Crescent, Denham, near Uxbridge, Middlesex.
- Herries, Robert Arthur, A.C.A., 1961; 3 Harlian Avenue, Moreton, Wirral.
- Herron, Anthony Gavin, B.Sc.(ECON.), A.C.A., 1961; 53 Greenwich Church Street, London, SE10.
- Hew, George Washington, A.C.A., 1961; 137 Arthur Court, Queensway, London, W2.
- Hewitt, Bryan Malcolm, LL.B., A.C.A., 1961; 13 Queenscourt Road, West Derby, Liverpool, 12.
- Higham, Peter, A.C.A., 1961; 51 Elmcroft Drive, Chessington, Surrey.
- Hill, Brian Lionel, A.C.A., 1961; 1 Cecile Park, London, N8.
- Hill, Dennis Brian, A.C.A., 1961; 22 Kenneth Road, Brislington, Bristol, 4.
- Hill, Richard Conchie, A.C.A., 1961; 6 Regent Street, Carlisle.
- Hilliard, Robert Peter, A.C.A., 1961; 171 Kenley Road, Merton Park, London, SW19.
- Hilton, Christopher Russell, A.C.A., 1961; c/o S. Hilton & Sons Ltd, Freeschool Lane, Leicester.
- Hindle, Terrence Clive, A.C.A., 1961; 91 Westmead Road, Sutton, Surrey.
- Hine, Raymond Leslie, A.C.A., 1961; 11 Keyes Gardens, Tonbridge, Kent.

- Hinson, John, A.C.A., 1961; 10 Green Lane, Idle, Bradford.
- Hitchen, Gerald, A.C.A., 1961; 8 Dunkirk Crescent, Warley Road, Halifax.
- Hitchener, William David, A.C.A., 1961; 8A Staveley Road, Nab Wood, Shipley, Yorks.
- Hockney, Paul, A.C.A., 1961; 179 Westfield Lane, Idle, Bradford.
- Hodgson, Cedric, A.C.A., 1961; 65 Chatsworth Road, Pudsey, Yorks.
- Hodgson, Gordon William, A.C.A., 1961; c/o Springfield Steel Co Ltd, 1323 London Road, Glasgow, E1.
- Hodson, John Derrick, A.C.A., 1961; 33 Newcombe Street, Market Harborough, Leics.
- Hogarth, Roderick Tony, A.C.A., 1961; 60 Arundel Road, Newtown, Great Yarmouth.
- Holgate, Derek Godfrey, A.C.A., 1961; 7 Warren Road, Banstead, Surrey.
- Holland, Charles Grahame, A.C.A., 1961; 21 Lynton Drive, Southport.
- Holmes, Philip Laurence Robert, A.C.A., 1961; 11 Heath Road, Bexley, Kent.
- Holmes, Ronald, A.C.A., 1961; 2 Ingoldsby Court, Sunderland.
- Honey, (Miss) Melva Dorothy, A.C.A., 1961; 831 Southchurch Road, Southend-on-Sea.
- Hoole, Donald, A.C.A., 1961; 12 Carrill Drive, Sheffield, 6.
- Hooper, Henry Lawrence George, A.C.A., 1961; 292 Teignmouth Road, Torquay.
- Hopkins, Robert David, A.C.A., 1961; with James Todd & Co, 781 Salisbury House, London Wall, London, EC2.
- Horn, Peter John, A.C.A., 1961; 71 Northenden Road, Sale.
- Horwood, Ian Albert, A.C.A., 1961; 121 Long Drive, South Ruislip, Middlesex.
- Hosier, David John, A.C.A., 1961; 1 Beechfield Road, Hemel Hempstead, Herts.
- Hough, Frederick John, A.C.A., 1961; 687 Ormskirk Road, Pemberton, Wigan.
- Houghton, Stephen Noel, A.C.A., 1961; 97 Cavenagh Road, Singapore 9.
- Hoult, Edward Wilson, M.A., A.C.A., 1961; Sycamore Lodge, Melbury Road, Newcastle upon Tyne 7.
- Howard, David James, A.C.A., 1961; 352 Cannon Hill Lane, Raynes Park, London, SW20.
- Howard, George Antony, A.C.A., 1961; West Flexford House, Wanborough, near Guildford.
- Howard, Peter Alfred, A.C.A., 1961; 4 Swaisland Road, Dartford, Kent.
- Howell, Albert, A.C.A., 1961; 6 Avonmore Avenue, Liverpool, 18.
- Howell, Samuel Robert, A.C.A., 1961; 5 Carlingford Road, Hampstead, London, NW3.
- Howes, Robert John, A.C.A., 1961; 15 Ranleigh Gardens, Bexleyheath, Kent.
- Howlett, Rex, A.C.A., 1961; Church Villas, Laxfield, Woodbridge, Suffolk.
- Howlison, James Christopher, A.C.A., 1961; 19 Linney Road, Bramhall, Stockport.
- Howorth, Harold, A.C.A., 1961; 9 St James' Street, Waterfoot, Rossendale, Lancs.
- Howson, Clive, M.C., M.A., A.C.A., 1961; Castle Hill, Winnington (Staffs), near Market Drayton, Salop.
- Hubbard, Roger Michael, A.C.A., 1961; 96 Charterhouse Road, Orpington, Kent.
- Hughes, David Roy, A.C.A., 1961; 'Woodlands', Tan-Lan, Ffynnongroew, Flintshire.
- Hughes, Meirion Henry, A.C.A., 1961; 193 Ninian Park Road, Canton, Cardiff.
- Hull, Peter Cowan, A.C.A., 1961; 4 Reddings Lane, Tyseley, Birmingham, 11.
- Humphrey, John Charles, A.C.A., 1961; Flat 3, 80 Warwick Park, Tunbridge Wells.
- Humphreys, Philip Thomas, A.C.A., 1961; 11 Axminster Road, Roath, Cardiff.
- Hunt, Dennis Paul, A.C.A., 1961; 30 Waun Wen Terrace, Swansea.
- Hunt, Peter Thomas, A.C.A., 1961; 24 Globe Road, Mile End, London, E1.
- Hutton, David Seamus Dene, A.C.A., 1961; 'Croindene', Byfleet Road, Cobham, Surrey.
- I'Anson, Peter, A.C.A., 1961; 1 Fenwick Street, Burnley.
- Ilsley, Martin, A.C.A., 1961; 20 Lynmouth Road, Perivale, Greenford, Middlesex.
- Ind, Ronald Christopher, B.A., A.C.A., 1961; 27A Cyril Mansions, London, SW11.
- Ingham, Richard William, A.C.A., 1961; 4 Garden Street, Heckmondwike, Yorks.
- Inglis, Robert Sinclair, A.C.A., 1961; 187 Whitehouse Common Road, Sutton Coldfield.
- Inkpen, James Martin, A.C.A., 1961; 4 Strafford Road, Twickenham.
- Innes, James Buckley, A.C.A., 1961; 'Templewood', South Park, Gerrards Cross, Bucks.
- Irons, Stuart Leonard, A.C.A., 1961; 65 South Park Road, Ilford.
- Irvine, Ian Alexander Noble, B.Sc.(ECON.), A.C.A., 1961; 7 Wolseley Road, Crouch End, London, N8.
- Isaacs, Bryan Eric, A.C.A., 1961; 144 Pencisely Road, Llandaff, Cardiff.
- Israel, Neil Victor, A.C.A., 1961; 5 South Lodge, St John's Wood, London, NW8.
- Iverson, Robin Michael, A.C.A., 1961; Oakfield House, Chevening, near Sevenoaks.
- §Jackson, David, A.S.A.A., 1961; 49 Allison Road, London, W3.
- Jackson, Jerrold, A.C.A., 1961; 5 Seagrave Avenue, Sheffield 12.
- Jacob, Arthur Edward, A.C.A., 1961; 59 Mandeville Road, Enfield, Middlesex.
- Jacobs, Leslie Henry, A.C.A., 1961; 51 Hilton Lane, Prestwich, Lancs.
- James, Hywel Morgan Cledwyn, B.A., A.C.A., 1961; 453 Winchester Road, Southampton.
- James, Norman Charles, B.A., A.C.A., 1961; 63 Manton Avenue, Hanwell, London, W7.
- James, Paul Leonard, A.C.A., 1961; 74 Beverstone Road, Thornton Heath, Surrey.
- James, Peter Brian, B.Sc.(ECON.), A.C.A., 1961; with David Kroll & Co, 35 Dover Street, Piccadilly, London, W1.
- Jamieson, John David, A.C.A., 1961; 250 Gregson Lane, Houghton, near Preston.
- Jay, Michael Paul Johnson, A.C.A., 1961; with Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London, EC2.
- Jayakar, Jayapal Anthony Vickram Wilder, A.C.A., 1961; 30 Windmill Road, Headington, Oxford.
- Jenkins, Frank Charles, A.C.A., 1961; 528 Kingston Road, Raynes Park, London, SW20.
- ¶Jennings, Roy Leonard, A.C.A., 1961; R. L. Jennings & Co, 133 Hammersmith Road, West Kensington, London, W14.
- Jeuda, Basil Simon, B.A.(COM.), A.C.A., 1961; 648 Wilmslow Road, Didsbury, Manchester, 20.
- Jiggins, Gerald Arthur William, A.C.A., 1961; 116 Long Acre, London, WC2.
- §John, Ivan Douglas, A.S.A.A., 1961; 31 Lauries Place, Colombo 4, Ceylon.
- Johnson, David Robert, A.C.A., 1961; 5 St Bernards Avenue, Checketts Road, Belgrave, Leicester.
- Johnson, Ian Spencer, A.C.A., 1961; South End House, Lymington, Hants.
- Jones, Christopher Duval, A.C.A., 1961; 44 Maze Green Road, Bishop's Stortford, Herts.
- Jones, Colin Paul, A.C.A., 1961; 11 Hyacinth Road, Roehampton, London, SW15.
- Jones, David, B.Sc.(ECON.), A.C.A., 1961; 115 Chapter Road, Willesden Green, London, NW2.
- Jones, Michael David, A.C.A., 1961; 50 Woolacombe Road, Childwall, Liverpool, 16.

- Jones, Victor Bryan, A.C.A., 1961; 100 St Bernards Road, Olton, Solihull.
- Joslin, Cyril John, A.C.A., 1961; 94 Springfield Park Road, Chelmsford.
- Joyce, James Thomas, A.C.A., 1961; 179 North Circular Road, Palmer's Green, London, N13.
- Kershen, Martin Bernard, A.C.A., 1961; 36 Mount Stewart Avenue, Kenton, Harrow, Middlesex.
- Kettle, Michael John Ottewell, A.C.A., 1961; 19 Crooked Billet, Wimbledon Common, London, SW19.
- Khakhria, Vrajlal Karsandas, A.C.A., 1961; 16 Cumberland Road, Barnes, London, SW13.
- Kinchuck, Stuart Michael, A.C.A., 1961; with Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London, EC2.
- King, David Michael Dickson, A.C.A., 1961; Doctor's House, Tanworth-in-Arden, Solihull.
- King, George Ernest, A.C.A., 1961; 81 Ingram Road, Bulwell, Nottingham.
- King, William Peter, A.C.A., 1961; 18 Charlton Road, Wantage, Berks.
- Kirk, Geoffrey Sinclair, A.C.A., 1961; 83 Woodhouse Road, Finchley, London, N12.
- Kirk, Michael David, A.C.A., 1961; 6 Powys Avenue, Oadby, Leicester.
- Kirkland, Charles William, A.C.A., 1961; 'Crathie', Baring Road, Cowes, I.W.
- Knepler, Gerald Henry, B.SC.(ECON.), A.C.A., 1961; 10 North Crescent, Finchley, London, N3.
- Knibb, Ronald Derek, A.C.A., 1961; 106 Maidstone Road, Paddock Wood, Tonbridge.
- Knight, Peter James, A.C.A., 1961; 7 Kemerton Road, Beckenham, Kent.
- Knight, Philip John, A.C.A., 1961; 37 Howard Close, Cambridge.
- Knight, Roger John, A.C.A., 1961; 83 Ardington Road, Northampton.
- Korwaser, Mieczyslaw Henryk Andrzej, B.COM., A.C.A., 1961; 28 Sinclair Road, London, W14.
- Kyle, Christopher Douglas, A.C.A., 1961; 'Fircroft', Houghton, Carlisle.
- Lacey, Patrick William, A.C.A., 1961; 1 Westwood Road, Tilehurst, Reading.
- Laddin, Phillip, A.C.A., 1961; 16 Westmeade, Prestwich, Manchester.
- Laing, Michael John, A.C.A., 1961; 1 Chapel Street, Berkhamsted, Herts.
- Lam, Chun Hoong, B.SC.(ECON.), A.C.A., 1961; 113 Queens Court, Queensway, London, W2.
- Lane, Peter, A.C.A., 1961; 55 Enfield Road, Enfield, Middlesex.
- Langford, Francis, A.C.A., 1961; 22 Cromwell Street, Mount Pleasant, Swansea.
- Laurie, Andrew Harry, A.C.A., 1961; 8 Templar's Crescent, Finchley, London, N3.
- Lee, George, A.C.A., 1961; 18 Sharples Avenue, Sharples, Bolton.
- Leeke, James Henry David, A.C.A., 1961; 'Mount View,' Croesfaen, Pontyclun, Glam.
- Lees, Lawrence Henry, B.COM., A.C.A., 1961; 41 Elliston Road, Redland, Bristol, 6.
- Leggott, John Edward, A.C.A., 1961; 15 Derrymore Road, Willerby, Hull.
- Leibert, Ivor Malcolm, A.C.A., 1961; 126 Audley Road, Hendon, London, NW4.
- Lester, Lawrence, A.C.A., 1961; 27 Fletcher Road, Burbage, Leics.
- Levy, Maurice, B.A.(COM.), A.C.A., 1961; 63 Brideoak Street, Cheetham, Manchester, 8.
- Lewis, Edward Greville, A.C.A., 1961; 59 Sunnymead Drive, Waterlooville, Hants.
- Lewis, John Richard, A.C.A., 1961; 40 Lansdowne Road, Luton.
- Lindsay, Hugh John Alexander, B.A., A.C.A., 1961; 30 Campden Street, London, W8.
- Linnell, Christopher, A.C.A., 1961; 364 Nechells Park Road, Birmingham, 7.
- Lloyd, Brian Christopher, A.C.A., 1961; 'The Shieling', Coppenhall, Stafford.
- Lloyd-Simpson, Keith Neville, A.C.A., 1961; 56 Beaufort Avenue, Kenton, Harrow, Middlesex.
- Lockyer, Brian Frederick, A.C.A., 1961; 226 Colonial Road, Bordesley Green, Birmingham, 9.
- Long, Daniel William Charles, A.C.A., 1961; 84 Mickelfield Road, High Wycombe, Bucks.
- Long, Philip David, A.C.A., 1961; 58 Corton Road, Lowestoft.
- Low, Harold Edward, A.C.A., 1961; 25 Moore Avenue, Sprowston, Norwich.
- Loy, Christopher John, A.C.A., 1961; 6 Victoria Avenue, Quinton, Birmingham, 32.
- Luck, Richard Vincie Evan, A.C.A., 1961; c/o Bookers Industrial Holdings Ltd, Bucklersbury House, 83 Cannon Street, London, EC4.
- Lumb, Frank Gerard, A.C.A., 1961; 1 Manygates Park, Sandal, Wakefield.
- Lush, Dennis, A.C.A., 1961; 69 Oliver's Battery Road, Winchester.
- Lyle, Roger Bowden, A.C.A., 1961; 20 Copsewood Way, Northwood, Middlesex.
- McCabe, John Edward, A.C.A., 1961; 457 Worsley Road, Winton, Eccles, Lancs.
- McGuchan, Peter John, A.C.A., 1961; 34 Tintagel Drive, Stanmore, Middlesex.
- MacHardy, Iain Chisholm, A.C.A., 1961; Sandy Hills House, Shedfield, near Southampton.
- MacKinnon, Malcolm Robin, A.C.A., 1961; Spring Grove Lodge, Sunningdale, Berks.
- McMahon, Paul, A.C.A., 1961; 7 Bamber Avenue, Sale Moor, Cheshire.
- McMullen, Toni Michael, A.C.A., 1961; 10 Gledhow Avenue, Leeds, 8.
- McQuater, Andrew, A.C.A., 1961; 25 Ryegate Crescent, Sheffield, 10.
- Madeley, John Richard Yorke, A.C.A., 1961; with H. M. Madeley & Co, Oxhill Court, 202 Hagley Road, Edgbaston, Birmingham, 16.
- Majid, Fakhra, A.C.A., 1961; 9 Pond Place, Chelsea, London, SW3.
- Malik, Asaf Ali, A.C.A., 1961; 53 The Ridgeway, London, NW11.
- Mallett, Edwin Charles, A.C.A., 1961; 348 North Road, Gabalfa, Cardiff.
- Malton, Paul Reginald, A.C.A., 1961; 15 Welburn Avenue, Leeds, 16.
- Mann, Alexander Sidney Thomas, A.C.A., 1961; 73 Parkview Road, New Eltham, London, SE9.
- Mann, Timothy Michael, A.C.A., 1961; Overstone House, Elvaston Road, Hexham, Northumberland.
- Manning, Frederick Clarence, A.C.A., 1961; 173 Cronin Road, Peckham, London, SE15.
- Manning, Keith, A.C.A., 1961; 12 St Peter's Way, Chorley Wood, Herts.
- Mansfield, Gerald Edward, A.C.A., 1961; 20 Hazeldene Road, Welling, Kent.
- Marshall, Neil Francis, A.C.A., 1961; 15 Heath Road, Salisbury, Wilts.
- Martin, James William Herbert, A.C.A., 1961; 47 Queenswood Road, Forest Hill, London, SE23.
- Mason, (Miss) Angela, A.C.A., 1961; 'Kimbolton', Birch Road, Chilworth, Southampton.
- Massoud, Louis Moawad, A.C.A., 1961; with William J. Jennings, Warner & Co, 24 Calthorpe Road, Edgbaston, Birmingham, 15.
- Maton, Michael Grant, A.C.A., 1961; 1 Rosemary Road, Kidderminster, Worcs.
- Matthews, David Geoffrey, A.C.A., 1961; 137 Alexandra Road, Burton-on-Trent, Staffs.
- May, Arthur John, A.C.A., 1961; 26 Arboretum Road, Worcester.



- Mayers, Peter Charles, A.C.A., 1961; 36 Wren House, Aylesford Street, London, SW1.
- Maykels, Ivan Brian, A.C.A., 1961; 5 Beresford Court, Somerhill Road, Hove, Sussex.
- Mayled, William Victor, A.C.A., 1961; 19 Meadow Close, Lake, Sandown, I.W.
- Maynard, Brian Anthony Fitzgerald, A.C.A., 1961; Westminster Bank House, 31 The Promenade, Cheltenham.
- Mells, Robert Arthur, A.C.A., 1961; 23 Barnford Crescent, Langley, Oldbury, near Birmingham.
- Mendoza, Malcolm Berkeley, A.C.A., 1961; 29 Ferncroft Avenue, Hampstead, London, NW3.
- Meredith, Alan, A.C.A., 1961; 16 Legh Road, Sale.
- Metcalf, David Richard, A.C.A., 1961; 23 York Avenue, East Sheen, London, SW14.
- Metcalf, Richard, A.C.A., 1961; 3 Glenmere Mount, Yeadon, near Leeds.
- Miles, George John, A.C.A., 1961; 18 Alexandra Road, Leigh-on-Sea, Essex.
- Mills, Donald George, A.C.A., 1961; 64 Edgecoombe, Monks Hill, South Croydon.
- Miln, John Kingsley, B.A., A.C.A., 1961; 13 Harley Road, Sheffield, 11.
- Mittal, Dharam Pal, A.C.A., 1961; 52 Geraldine Road, London, SW18.
- Mohamad, Sayed Hashim Sayed, B.A.(COM.), A.C.A., 1961; c/o 109/1 Mahalat El-Abas, Basra, Iraq.
- Monk, Alan, A.S.A.A., 1961; 42 Princess Street, Nelson, Lancs.
- Montgomery, Ian James, A.C.A., 1961; 16 Dovedale Road, Stoughton Road, Leicester.
- Montgomery, Robert Andrew, A.C.A., 1961; 84 Redlands Road, Penarth, Glam.
- Mooney, Brendan Ignatius, A.C.A., 1961; 126 Avenue Road, Gateshead 8, Co Durham.
- Moore, Brian, A.C.A., 1961; 135 Ashmore Road, Maida Hill, London, W9.
- Moore, Philip Geoffrey, A.C.A., 1961; 36 Chandos Road, Redland, Bristol, 6.
- Moore, Philip George, A.C.A., 1961; 'Frensham View', Beacon Hill, Hindhead, Surrey.
- Moore, Rodney Ivor, A.C.A., 1961; 7 Beech Road, Elms Rise, Botley, Oxford.
- Morgan, Donald Edward, A.C.A., 1961; 4 Third Avenue, Bordesley Green, Birmingham, 9.
- Morgan, Meirion, A.C.A., 1961; 154 Honey Hill Road, Bedford.
- Morgan, Peter Clark, A.C.A., 1961; 9 Bracken Road, Neath, Glam.
- Moritz, Brian Michael, A.C.A., 1961; 28 Ewell Downs Road, Ewell, Epsom.
- Morley, John Arthur, A.C.A., 1961; 36 Broad Square, West Derby, Liverpool, 11.
- Morpeth, Robert Scott, A.C.A., 1961; 26 Lesbury Road, Heaton, Newcastle upon Tyne, 6.
- Morris, Gerald Barrington, A.C.A., 1961; 8 Tamar Avenue, Taunton.
- Morriss, John Richard, A.C.A., 1961; 610 Howard House, Dolphin Square, London, SW1.
- Mosley, David, A.C.A., 1961; 11 Fairbank Crescent, Sherwood, Nottingham.
- Moss, John Webster, A.C.A., 1961; 'Westmond', Prestwich Park North, St Annes Road, Prestwich, Manchester.
- Mottram, Harold Eric, A.C.A., 1961; 167 Heathwood Road, Heath, Cardiff.
- Murdoch, Robert Alan, A.C.A., 1961; with Cooper Brothers & Co, Abacus House, 33 Gutter Lane, London, EC2.
- Murray, Alan Richard, A.C.A., 1961; 'Cherry Burton', Danes Way, Oxshott, Surrey.
- Mutkin, Henry Gerald, B.A., A.C.A., 1961; 3 Parkway, Temple Fortune, London, NW11.
- Nahon, Leone Rodolfo, A.C.A., 1961; 24 Lyndale Avenue, London, NW2.
- Nahoum, Moses Elias, A.C.A., 1961; 23 Howitt Road, Belsize Park, London, NW3.
- Needham, Thomas Anthony, A.C.A., 1961; 258A St Albans Road, Watford.
- Nelkon, Alan Philip, A.C.A., 1961; 'Appleby', Totteridge Lane, Totteridge, London, N20.
- Newland, Oliver William, A.C.A., 1961; Lane Cottage, Munstead, Godalming, Surrey.
- Newman, Malcolm James Gare, A.C.A., 1961; 31 Chestnut Close, Buckhurst Hill, Essex.
- Newton, Iain David, A.C.A., 1961; 91 Lammack Road, Blackburn.
- Newton, John, A.C.A., 1961; 4A New Romney Crescent, off Scraftoft Lane, Leicester.
- Nichols, William Pengelley, A.C.A., 1961; 'Foxhayes', Woodbury, near Exeter.
- Noel, Frank Joseph Anthony, A.C.A., 1961; 26 Ulverston Road, London, E17.
- Norman, Geoffrey, A.C.A., 1961; 1 North End, Rock Road, Midsomer Norton, Bath.
- Norris, Robert George, A.C.A., 1961; 105 Argyle Road, Ealing, London, W13.
- North, Rodney Cappus, A.C.A., 1961; 'Fior Tuath', Langshott, Horley, Surrey.
- Northedge, David John, A.C.A., 1961; 150 Pottery Road, Warley, Birmingham, 32.
- Nossek, Geoffrey Norman, A.C.A., 1961; 1 Francklyn Gardens, Edgware, Middlesex.
- Oliver, Courtney Ambrose, A.C.A., 1961; 2 Carnarthen Moor, Carn Brea, Redruth, Cornwall.
- Over, Richard John, A.C.A., 1961; 'Larksridge', Heatherley Road, Camberley, Surrey.
- Oyler, Edmund John Wilfrid, M.A., A.C.A., 1961; c/o Oyler & Co Ltd, 62 New Cavendish Street, London, W1.
- Page, Martin Wittich, A.C.A., 1961; with Cooper Brothers & Co, Abacus House, 33 Gutter Lane, Cheapside, London, EC2.
- Paine, Rex Edward Durrant, A.C.A., 1961; 390A Seven Sisters Road, London, N4.
- Parker, Kenneth Victor, A.S.A.A., 1961; 215 Manor Hall Road, Southwick, Sussex.
- Parkhurst, Anthony George, A.C.A., 1961; with White & Pawley, Torrington Chambers, 58 North Road, Plymouth.
- Parriss, Terry Ralph, A.C.A., 1961; 11 Victoria Road, Bletchley, Bucks.
- Parrott, John Squire, A.C.A., 1961; 15 Lawrence Gardens, Mill Hill, London, NW7.
- Parry, Mathew Wyn, A.C.A., 1961; with J. Llywelyn Hughes & Co, 5 Denbigh Street, Llanrwst, Denbighs.
- Parry, Trevor Evan, A.C.A., 1961; 80 Ruscote Avenue, Banbury, Oxon.
- Partington, Ian, A.C.A., 1961; 61 Duchy Road, Harrogate.
- Passenger, Raymond Edwin, A.C.A., 1961; 26 Shelley House, Churchill Gardens, London, SW1.
- Payne, Douglas Randall, A.C.A., 1961; 38 Church Mead, Hassocks, Sussex.
- Pearce, Geoffrey Neville, A.C.A., 1961; 15 Park Avenue, London, NW11.
- Pearce, Michael John, A.C.A., 1961; 'Hollycroft', Cookham Dean, Berks.
- Pearson, Geoffrey Alan, A.C.A., 1961; 1 The Headlands, Northampton.
- Peart, Donald, A.C.A., 1961; 15 York Road, Chorlton-cum-Hardy, Manchester, 21.
- Peel, Maurice Charles, A.C.A., 1961; 5 Burrowmoor Road, March, Cambs.
- Penn, Edward Albert, A.C.A., 1961; 130 Clovelly Road, Wyken, Coventry.
- Pepper, Thomas Richard, A.C.A., 1961; 69 Rosemary Hill Road, Little Aston, Sutton Coldfield.
- Phelps, (Mrs) Philippa Lesley, A.C.A., 1961; 59 Laurel Way, Totteridge, London, N20.
- Phillips, Clarence Howard, A.C.A., 1961; 5 Condurrow Road, Beacon, Camborne, Cornwall.

- Philpott, David John, A.C.A., 1961; 117A Tarring Road, Worthing.
- Phua, Timothy Seng Lam, A.C.A., 1961; 195 Dominion Road, Worthing.
- Pickering, Graham Neil, M.A., A.C.A., 1961; 10 Russell Road, London, W14.
- Pikis, Angelos Michael, B.SC.(ECON.), A.C.A., 1961; 31 St Omologites Avenue, Nicosia, Cyprus.
- Pilkington, Ronald Vincent, A.C.A., 1961; 3 Brooklyn Avenue, Leeds, 12.
- Pilling, John David Christopher, A.C.A., 1961; 17 Mitchell Street, Burnley.
- Pitt, William Harry, A.C.A., 1961; 97 Essella Road, Ashford, Kent.
- Pizzey, Leonard George, A.C.A., 1961; 25 Cathcart Drive, Orpington, Kent.
- Platt, John Camm, A.C.A., 1961; 'Darien', Turner's Lane, North Ferriby, East Yorks.
- Plews, Timothy Edwin, A.C.A., 1961; 70 Upton Road, Birkenhead, Cheshire.
- Plummer, Ronald Anthony, A.C.A., 1961; 11A Perwell Avenue, Rayners Lane, Harrow, Middlesex.
- Plumridge, Brian Henry, A.C.A., 1961; 18 Pinions Road, High Wycombe, Bucks.
- Pomeroy, John Victor, A.C.A., 1961; 102 Kingsmead Avenue, Worcester Park, Surrey.
- Poole, Connor Murray, A.C.A., 1961; 16 Bellevue Road, London, SW17.
- §Poopalasingham, Rajasingam, A.S.A.A., 1961; with Richard Mordant & Co, 13/14 Great St Thomas Apostle, London, EC4.
- Pope, Michael Frederick, B.A., A.C.A., 1961; 64 Queen's Road, Whitstable, Kent.
- Porter, Robert Stanley, A.C.A., 1961; 1 Barton Grove, Brislington, Bristol, 4.
- Poulton, Gordon Ernest, A.C.A., 1961; 'Highfield', Hill End, Greave, Romiley, Cheshire.
- Powles, David John, A.C.A., 1961; 13 Stoney Road, Coventry.
- Powley, Barry Alfred, A.C.A., 1961; The Stores, Scrabby, Great Yarmouth.
- Price, Frederick Enoch, M.A., A.C.A., 1961; c/o 6 Wake Green Road, Moseley, Birmingham, 13.
- Price, Howard Gregson, A.C.A., 1961; 144 Stainbeck Lane, Leeds, 7.
- §Price, Norman Stafford, B.A., A.S.A.A., 1961; 72 Pembroke Road, Bristol, 8.
- Price, Ronald George, A.C.A., 1961; 16 Shrewsbury Road, London, N11.
- Prichard, John Robert, A.C.A., 1961; Bron-y-Garth, Llangennech, Llanelly.
- Pring, Michael Joseph, B.A.(ECON.), A.C.A., 1961; 18 Sharpe Avenue, Sheffield, 8.
- Pryke, Colin Wheaton, A.C.A., 1961; 6 Dalrymple Close, Chelmsford.
- Prytz, Martin Hector, A.C.A., 1961; Manor House, Great Houghton, Northampton.
- Purcell, John, A.C.A., 1961; 3 Parkland Drive, Leeds, 6.
- Pyne, Frank Graydon, B.SC.(ECON.), A.C.A., 1961; 28 Crofton Avenue, Walton-on-Thames, Surrey.
- Quail, (Miss) Rita June, A.C.A., 1961; 220 Mansfield Road, Nottingham.
- Quraeshi, Shameem, A.C.A., 1961; 'Q' House, 2 Mary Road, Karachi 4, Pakistan.
- Raby, Paul, A.C.A., 1961; 49 Corporation Street, Morley, Leeds.
- Rackstraw, Colin Albert, A.C.A., 1961; 111 Southfield Road, High Wycombe, Bucks.
- Radford, Hugh John-Fisher, A.C.A., 1961; 49 Melrose Road, Southampton.
- Ralph, Clifford Raymond, A.C.A., 1961; with Dauncey & Co, 22 Broad Street, Worcester.
- Ramage, Douglas Alexander, A.C.A., 1961; 268 Rayleigh Road, Hutton, Essex.
- Ramsay, Albert Edward, A.C.A., 1961; 50 Delamore Street, Walton, Liverpool, 4.
- Randall, John Gurney, A.C.A., 1961; 118 Limmer Lane, Felpham, West Sussex.
- Ray, Subir Prosad, A.C.A., 1961; with Lind & Co, 338 Streatham High Road, London, SW16.
- Redshaw, Clifford, B.A., A.C.A., 1961; 184 Croft Road, Nuneaton, Warwicks.
- Redwood, Donald George, A.C.A., 1961; 47 Laggan Road, Maidenhead, Berks.
- Reed, Michael David, A.C.A., 1961; 4 Ashburn Gardens, London, SW7.
- Reeder, John Peter, A.C.A., 1961; 211 Silver Street, Edmonton, London, N18.
- Reeves, David Bertram, A.C.A., 1961; 36 Southover, Woodside Park, London, N12.
- Regan, Francis Edward, A.C.A., 1961; c/o The Carborundum Co Ltd, Trafford Park, Manchester, 17.
- Regan, Michael Anthony, A.C.A., 1961; 50 Cavendish Road, London, SW12.
- Reid, Walter, B.A., A.C.A., 1961; 2 Clarence Terrace, London, NW1.
- Rengert, Christopher, A.C.A., 1961; 20 Exford Avenue, Westcliff-on-Sea.
- Renham, Cyril, A.C.A., 1961; 116 Norbury Court Road, London, SW16.
- Renwick, Geoffrey Owen Norman, A.C.A., 1961; 15 Weald Road, Sevenoaks.
- Reynolds, Hugh Robert Anthony, A.C.A., 1961; Catton Cottage, Naseby, Rugby.
- Rhead, David Michael, A.C.A., 1961; 1070 Aldridge Road, Great Barr, Birmingham 22A.
- Rich, Ernest Albert, A.C.A., 1961; 3 Northcote Road, West Croydon, Surrey.
- Richards, Ivor Bryan, B.SC.(ECON.), A.C.A., 1961; 137 Lauderdale Mansions, Maida Vale, London, W9.
- Richards, William Samuel Clive, A.C.A., 1961; 'Marigold', Talbot Avenue, Little Aston Park, Sutton Coldfield.
- Richardson, Brian Edwin, A.C.A., 1961; 25 Hillcroft Avenue, Pinner, Middlesex.
- Richardson, Kenneth Stansfield, A.C.A., 1961; 8 Strathmore Gardens, London, W8.
- Ricket, Peter George, A.C.A., 1961; 6 Woodend Gardens, Enfield, Middlesex.
- Riley, John Christopher William, B.A., A.C.A., 1961; 'The Pantiles', Clive Road, Esher, Surrey.
- Rind, Martin Sydney, A.C.A., 1961; 11 Hill House, Springfield, London, E5.
- Risdon, Richard Edward Ross, A.C.A., 1961; 52 Courtland Drive, Chigwell, Essex.
- Roberts, David Gareth, A.C.A., 1961; 8 Heol-yr-Efail, Whitchurch, Cardiff.
- Roberts, Peter Michael, A.C.A., 1961; 110 Colherne Court, Old Brompton Road, London, SW5.
- Roberts, Robert Granville, A.C.A., 1961; 736 Walmersley Road, Bury.
- Robinson, Arthur Edward Steward, A.C.A., 1961; 1 Eastfield Road, Andover, Hants.
- Robinson, David Anthony, A.C.A., 1961; 14 Stuart Avenue, Trentham, Stoke-on-Trent.
- Robinson, Peter, A.C.A., 1961; 149 Sheffield Road, Fence, Woodhouse Mill, Sheffield.
- §Robinson, Terence, A.S.A.A., 1961; 58 Banbury Terrace, South Shields, Co Durham.
- Romer, Arthur John, A.C.A., 1961; 'Tregenna', Doncaster Road, Kirk Sandall, near Doncaster.
- Root, Neville Douglas, A.C.A., 1961; 136 Eastcote Road, Pinner, Middlesex.
- Roper, Anthony Dillingham, A.C.A., 1961; 'Charnwood', Mount Park, Harrow-on-the-Hill, Middlesex.
- Rorison, David James Gilbert, A.C.A., 1961; Emmanuel Vicarage, 94 Clive Road, West Dulwich, London, SE21.
- Ross, Malcolm Lawrence, A.C.A., 1961; 15 Fir Tree Close, Moortown, Leeds, 17.
- Rothwell, Vincent Francis, A.C.A., 1961; 49 Highfield Park Road, Bredbury, near Stockport.

- Round, John, A.C.A., 1961; 30 South Avenue, Littleover, Derby.
- Rowley, Robert Philip, A.C.A., 1961; 42 Uplands Avenue, Bradmore, Wolverhampton.
- Roy, Krishna Pada, A.C.A., 1961; 5 Endway, Tolworth, Surrey.
- Rubin, Leslie Rueben, A.C.A., 1961; 31 Kingsley Road, Palmer's Green, London, N13.
- Rushton, Thomas Penson, A.C.A., 1961; 18 Dynevor Gardens, Leigh-on-Sea, Essex.
- Ryder, Graham Ian, A.C.A., 1961; 1 Rosthernmere Road, Cheadle, Cheshire.
- Saba, Mahmoud El Said, A.C.A., 1961; 23 Rifaa Street, Giza (Orman), Cairo, Egypt.
- Saha, Mani Lai, A.C.A., 1961; 170 Duke's Avenue, London, N10.
- Sampson, Peter Vaughan, A.C.A., 1961; 24 Northfield Road, Dewsbury.
- Samuel, Job Albert Thiagaraja, B.Sc.(ECON.), A.C.A., 1961; 133C High Street, Bromley, Kent.
- §Sargeant, Neville, A.S.A.A., 1961; with Annan, Impey, Morrish & Co, 21 Ironmonger Lane, London, EC2.
- Sargent, Charles John, A.C.A., 1961; 1035 Anlaby High Road, Hull.
- Sargon, Abraham Ferris Joseph, A.C.A., 1961; 43 Linthorpe Road, London, N16.
- Sarkar, Dwijendra Nath, A.C.A., 1961; with Swanwick, Terras & Co, 64 Cross Street, Manchester, 2.
- Satchell, John Hildebrand, A.C.A., 1961; 16 Ferry Road, Barnes, London, SW13.
- Satterthwaite, Geoffrey Roger, A.C.A., 1961; 10 Roehampton Drive, Blundellsands, Liverpool, 23.
- Saunderson, Colin Macrae, A.C.A., 1961; 96 Haydn Avenue, Purley, Surrey.
- Scot, Roy William, A.C.A., 1961; 111 Highbury Hill, London, N5.
- Scorey, Douglas, A.C.A., 1961; 77 Elmhurst Road, Gosport, Hants.
- Scott, John Reid, A.C.A., 1961; 30 Jesmond Dene Road, Newcastle upon Tyne, 2.
- Screen, Michael Rodney Wallace, A.C.A., 1961; 20 Cromwell Road, St Andrews, Bristol, 6.
- Selby, Harvey, A.C.A., 1961; 68 The Grove, Edgware, Middlesex.
- Sell, Arthur, A.C.A., 1961; 2 Allendale Avenue, Emsworth, Hants.
- Seydoux, Henry Giorgio Peiro Martin, B.A., A.C.A., 1961; 34 Boulevard Mar Beau, Paris 16, France.
- Shah, Shantilal Kanjibhai, A.C.A., 1961; 28 Queen's Crescent, Kentish Town, London, NW5.
- Sharpe, Robert Ballard, A.C.A., 1961; 1 Upper Lattimore Road, St Albans.
- Sharples, Donald Douglas, A.C.A., 1961; 'Clyttir', Llanbedr, Ruthin, Denbighs.
- Shaw, Christopher Martin, A.C.A., 1961; 24 High Street, Frant, near Tunbridge Wells.
- Shawcross, Robert Edward Newlove, A.C.A., 1961; 5 Wilson Street, Guisborough, Yorks.
- Shealer, (Miss) Jill Margaret, A.C.A., 1961; 73 Cardington Avenue, Great Barr, Birmingham, 22A.
- Sheena, Albert Abraham, A.C.A., 1961; with Maurice Apple & Co, 1 Hyde Park Place, London, W2.
- Shepard, John Anthony, A.C.A., 1961; 69 Westminster Gardens, London, SW1.
- Sheppard, Kenneth John, A.C.A., 1961; 13 Greenhill Avenue, Caterham, Surrey.
- Shires, David, A.C.A., 1961; 10 Southlands Mount, Riddlesden, Keighley, Yorks.
- Siddall, Mark Edward, A.C.A., 1961; 5/7 Tavistock Place, London, WC1.
- Sievers, Frederick Robert, A.C.A., 1961; 'Rose Bank', Gravel Path, Berkhamsted, Herts.
- Silas, Charles Frederick, A.C.A., 1961; with Newman, Harris & Co, 18 Harcourt House, 19 Cavendish Square, London, W1.
- Silver, Stanley Bernard, A.C.A., 1961; 43 Cotswold Gardens, Hendon Way, London, NW2.
- Silverman, Brian Geoffrey, A.C.A., 1961; 16 Eastside Road, Golders Green, London, NW11.
- Silverman, Sidney Carl, A.C.A., 1961; 273 Blackley New Road, Manchester, 9.
- Simmons, Brian Edward, A.C.A., 1961; 29 London Road, Redhill, Surrey.
- Simpson, Frank David, A.C.A., 1961; 11 Copandale Road, Beverley, Yorks.
- Sinclair-Day, Donald Ian, A.C.A., 1961; 5 Cannon House, Park Court, Sydenham, London, SE26.
- Sinodorou, Sinos George, A.C.A., 1961; 17 Brownspring Drive, New Eltham, London, SE9.
- Sitch, David Charles, A.C.A., 1961; 48 Murchison Avenue, Bexley, Kent.
- Slack, Edwin, A.C.A., 1961; 2 Blanchland Avenue, Woodlands Park, Wideopen, Newcastle upon Tyne, 3.
- Slade, Derek Harrison, A.C.A., 1961; 42 Newlands Avenue, Cheadle Hulme, Cheshire.
- Smelt, Paul Anthony, A.C.A., 1961; 21 Gynn Lane, Honley, Huddersfield.
- Smith, Anthony Melville, A.C.A., 1961; 6 Hatherley Court Road, Cheltenham.
- Smith, Anthony Stacey, A.C.A., 1961; 18 Penn House Avenue, Penn, Wolverhampton.
- Smith, David Mowbray, A.C.A., 1961; Welland House, High Street, Spalding, Lincs.
- Smith, David Neville, A.C.A., 1961; 18 Garton Road, Woolston, Southampton.
- Smith, Gordon, A.C.A., 1961; 26 Eckersley Street, Whelley, Wigan.
- Smith, Harold John, A.C.A., 1961; 245 Alder Road, Parkstone, Dorset.
- Smith, John Allison, A.C.A., 1961; 16 Hill Top Road, Oxford.
- Smith, John David, A.C.A., 1961; 5 Talgarth Way, Gateacre, Woolton, Liverpool.
- Smith, Michael James, A.C.A., 1961; 33 Low Grange Road, Thurnscoe, via Rotherham.
- Smith, Norman Leonard Kenneth, A.C.A., 1961; 27 Yewlands Close, Banstead, Surrey.
- Smith, Peter Nicholson, B.A., LL.B., A.C.A., 1961; 73 Doddington Road, Lincoln.
- Smith, Philip David, A.C.A., 1961; 39 Leaside Avenue, London, N10.
- Smith, Roger Hargreaves, A.C.A., 1961; 32 Hargreaves Road, Timperley, Altrincham.
- Smith, Thomas Anthony, A.C.A., 1961; 22 Buckstone Way, Alwoodley, Leeds, 17.
- Smith, Tom, A.C.A., 1961; 9 Drammen Street, Burnley.
- Sogunro, Francis Olayinka, A.C.A., 1961; c/o The National Bank of Nigeria Ltd, 15 Throgmorton Avenue, London, EC2.
- Soughton, John Edward, A.C.A., 1961; 28 Charterhouse Avenue, Wembley, Middlesex.
- Sparkes, John Leslie, A.C.A., 1961; 'Trevona', Church Road, West Mersea, near Colchester.
- Spencer, Richard Glover, A.C.A., 1961; 272 Liverpool Road South, Burscough, near Ormskirk, Lancs.
- Stairs, Brian Terence Leslie, A.C.A., 1961; 3 Shaftesbury Road, Luton.
- Standing, Roger Edward, A.C.A., 1961; 71 Warwick Road, New Barnet, Herts.
- Stansfield, Norman, A.C.A., 1961; 17 Moorfield, Wadsworth, Hebden Bridge, Yorks.
- Starmer, Roger John, A.C.A., 1961; 21 Church Street, Broughton, near Kettering.
- Stevens, Patrick Richard, A.C.A., 1961; 3 Gregory Boulevard, Nottingham.
- Stevenson, Derek, A.C.A., 1961; 30 Tuscan Road, East Didsbury, Manchester, 20.
- Stichbury, Richard Charles, A.C.A., 1961; 45 West Way, Shirley, Croydon, Surrey.

- Stock, John Barrie, A.C.A., 1961; 8 Portway Avenue, Wells, Somerset.
- Stockford, Ronald Warwick, A.C.A., 1961; 12 Pwll Evan Ddu, Coity, Bridgend, Glam.
- Stone, Peter Christopher, A.C.A., 1961; 64 Andover Road, Orpington.
- Stone, Rex, A.C.A., 1961; 101 Holbrook Road, Belper, Derbyshire.
- Stormonth, Ian Hunter, A.C.A., 1961; 'Weavers', Wainhill, Chinnor, Oxford.
- Stott, James Alexander, A.C.A., 1961; 207 Rochdale Road, Middleton, Manchester.
- Subramaniam, Rangaswami, B.COM., A.C.A., 1961; 69 Sylvan Lodge Colony, Kilpauk, Madras 10, India.
- Suggett, Richard, A.C.A., 1961; 10 Borlace Crescent, Stapleford, Notts.
- Sumner, Stanley, A.C.A., 1961; 28 Regent's Park Road, Southampton.
- Svensen, John Howard, A.C.A., 1961; 7 West Avenue, Finchley, London, N3.
- Swann, Alan, A.C.A., 1961; 13 Crosier Way, Ruislip, Middlesex.
- Swatman, Derek James, A.C.A., 1961; 54 Church Road, Lowestoft.
- Swinnerton, Peter Richard, A.C.A., 1961; 55 Upper Selsdon Road, Sanderstead, Surrey.
- Taiaabjee, Asgerali Abbasbhai, B.SC.(ECON.), A.C.A., 1961; 6 Queens Road, Hull.
- Tait, Walter, A.C.A., 1961; 61 Newlands Lane, Workington.
- Tatham, Roger George, A.C.A., 1961; 9 Barham Road, West Wimbledon, London, SW20.
- Taverner, John Ernest, A.C.A., 1961; 147 Worcester Road, Malvern, Worcs.
- Taylor, Alan Maurice, A.C.A., 1961; The Woolpack Inn, Nuneaton Road, Bedworth, Warwicks.
- Taylor, Arthur John de Lacy, A.C.A., 1961; Harbour Lodge, Harbeck Drive, Harden, Bingley, Yorks.
- Taylor, Brian Ward, B.A.(COM.), A.C.A., 1961; 'Ridgecroft', Carr Wood Road, Bramhall, Cheshire.
- Taylor, Eric William, A.C.A., 1961; 54 Willow Park, Baghill, Pontefract.
- Taylor, James Moorhouse, A.C.A., 1961; 685 Rochdale Road, Royton, near Oldham.
- Taylor, Michael John Graham, A.C.A., 1961; 'Green Gates', St George's Road, Freshfield, near Liverpool.
- Tellis, Ronald Ivor Salvatore, A.C.A., 1961; c/o L. Tellis, 2 South Parade, Bangalore, S. India.
- Tetley, Brian, A.C.A., 1961; 120 Upper Lane, Gomersal, near Leeds.
- Thesiger, Michael Eric, A.C.A., 1961; 18 Gloucester Walk, London, W8.
- Thomas, Bryan Peter, A.C.A., 1961; 62 Anderton Park Road, Moseley, Birmingham, 13.
- Thomas, Christopher Cheate, A.C.A., 1961; 108 Lacey Green, Wilmslow.
- Thomas, David Leonard George, A.C.A., 1961; 85 Waterloo Road, Penygroes, near Llanelly.
- Thomas, Donald Laurie, A.C.A., 1961; with W. H. Cork, Gully & Co, 19 Eastcheap, London, EC3.
- Thomas, Gordon Gerald Lloyd, A.C.A., 1961; with Gordon Thomas & Pickard, 7/10 Oxford Buildings, Lower Union Street, Swansea.
- Thomas, Michael Warrant, A.C.A., 1961; with Pritchard & Co, 32 Main Street, Fishguard, Pemb.
- Thomson, David Graham, A.C.A., 1961; 9 Barnard Gardens, New Malden, Surrey.
- Thompson, Frank, A.C.A., 1961; 77 Windebrowe Avenue, Keswick, Cumberland.
- Thornton, David Ian, A.C.A., 1961; 123 Bywell Road, Dewsbury.
- Thorogood, Frank Arnold, A.C.A., 1961; 52 Seymour Road, Chingford, London, E4.
- Thurlow, David John, A.C.A., 1961; 24 Richmond Park Avenue, Bournemouth.
- Tichener, William Herbert, A.C.A., 1961; 44 Kirkstall Road, Streatham Hill, London, SW2.
- Tickett, John, A.C.A., 1961; 12 Warsill Street, Battersea, London, SW11.
- Tidy, Alan David George, A.C.A., 1961; 4 Lancaster Gate, London, W2.
- Till, Ian Jeremy, A.C.A., 1961; Nessfield Hall, near Ilkley, Yorks.
- Tillett, Peter Gordon Fraser, A.C.A., 1961; 47A Hermon Hill, Wanstead, London, E11.
- Tipper, William Henry, A.C.A., 1961; 153 Winchester Road, Highams Park, London, E4.
- Tope, Edward Victor, A.C.A., 1961; 26 Bernice Terrace, Lipson, Plymouth.
- Towndrow, Ralph Watson, A.C.A., 1961; 35 Clarkson Avenue, Chesterfield.
- Townrow, Richard, A.C.A., 1961; 24 Market Square, Witney, Oxon.
- Townsend, Peter Herbert, A.C.A., 1961; 7 Outram Road, Wood Green, London, N22.
- Toze, Reginald Antony, A.C.A., 1961; 15 Castle Street, Bampton, near Tiverton, Devon.
- Traynor, Joseph, A.C.A., 1961; 198 Great Jackson Street, Manchester, 15.
- Tree, Norman, A.C.A., 1961; 147 Benhurst Avenue, Elm Park, Hornchurch, Essex.
- Tucker, Kevin Allan, A.C.A., 1961; 14 Ashford Road, Iford, Bournemouth.
- Tun-Tin, Maung, A.C.A., 1961; c/o State Timber Board, Rangoon, Burma.
- Turner, Ian Rutherford, A.C.A., 1961; Nilston Rigg, Langley-on-Tyne, Hexham, Northumberland.
- Turton, Richard Charles, A.C.A., 1961; with C. E. Turton, 91 Talbot Street, Nottingham.
- Twigg, Michael David, A.C.A., 1961; 6 Old Park Road, Beauchief, Sheffield, 8.
- Tyers, Robin James, B.COM., A.C.A., 1961; 56 James Road, Kidderminster, Worcs.
- Tyris, Michael, A.C.A., 1961; The Bungalow, Woodfield Social & Sports Club, Penn Road, Wolverhampton.
- Tytheridge, Geoffrey John, A.C.A., 1961; The Bungalow, Chywoone Farm, Newlyn, Penzance.
- Valentine, Donald Gordon, A.C.A., 1961; 34 Hermon Hill, Snaresbrook, London, E11.
- Vann, David Chester, A.C.A., 1961; 14 Ashby Square, Loughborough.
- Veale, Denis Robert, A.C.A., 1961; 18 Clinton Avenue, Lipson, Plymouth.
- Wadsworth, Brian Douglas, A.C.A., 1961; 206 Broomfield Road Marsh, Huddersfield.
- Wain, Harry, A.C.A., 1961; 1 Queen Street, Denton, Manchester.
- Walk David Ronald, A.C.A., 1961; 22 Jaffray Road, Erdington, Birmingham, 24.
- Walker, John Martin, A.C.A., 1961; 3 Cavendish Crescent South, The Park, Nottingham.
- Wall, Barry, A.C.A., 1961; 14 The Hamlet, South Normanston, Derby.
- Walsh, Clifford, A.C.A., 1961; 82 Bury New Road, Ramsbottom, via Bury.
- Walsh, Leslie, A.C.A., 1961; 133 Lodge Street, Accrington.
- Ward, Brian, A.C.A., 1961; 130 Corby Road, Weldon Corby, Northants.
- Ward, Clarence, A.C.A., 1961; Trenton House, Bank Road, Matlock, Derbyshire.
- Ward, David John, A.C.A., 1961; 44 Vernon Road, Luton.
- Ward, Harold, A.C.A., 1961; 40 Marstone Crescent, Totley Rise, Sheffield.
- Ward, John Michael, A.C.A., 1961; 37 Hamlyn Avenue, Anlaby Road, Hull.
- Ward, Kenneth Edward, A.C.A., 1961; Burley House, Chine Walk, Dudsbury, Wimborne, Dorset.
- Ward, Norman Roy, A.C.A., 1961; 'Craig Moor,' Ridgeway, Horsham, Sussex.

- Wareham, Christopher John, A.C.A., 1961; 'The Oaks,' Horseshoe Lane, Cranleigh, Surrey.
- Warren, Geoffrey, A.C.A., 1961; 385 Carterhatch Lane, Enfield, Middlesex.
- Wates, Hugh Randall, A.C.A., 1961; 13 Cannonside, Fetcham, near Leatherhead, Surrey.
- Watkins, Brian John, A.C.A., 1961; 41 Grimsdyke Road, Hatch End, Pinner, Middlesex.
- Weatherall, Anthony David, A.C.A., 1961; 11 Dukes Wood Avenue, Gerrards Cross, Bucks.
- Webb, (Miss) Barbara Mary, A.C.A., 1961; Myddelton House, 20 Myddelton Park, Whetstone, London, N20.
- Webb, Maurice Clifford, B.A., A.C.A., 1961; Manor Court, 172 Church Road, Hayes, Middlesex.
- Webster, John Walter, B.Sc.(ECON.), A.C.A., 1961; 156 Church Lane, Handsworth Wood, Birmingham, 20.
- Webster, Richard Stanley, A.C.A., 1961; 60 Granville Park, Aughton, near Ormskirk.
- Weigh, Peter Langford, A.C.A., 1961; District Bank House, 91 Rowson Street, New Brighton, Wallasey.
- Weir, John Blades, A.C.A., 1961; 2 Highfields Road, Bridgnorth, Salop.
- Weller, John Norris, A.C.A., 1961; 138 Alwold Road, Weoley Castle, Birmingham, 29.
- Wellington, Ronald Peter, A.C.A., 1961; 31 Greenwood Avenue, South Benfleet, Essex.
- Wernham, Frederick, A.S.A.A., 1961; 63 Queens Road, Fraserburgh, Aberdeen.
- West, John Frederick Michael, A.C.A., 1961; 'Wood Lea,' Mottram Road, Stalybridge, Cheshire.
- Weston, James Neville, A.C.A., 1961; 36 Lea Bank Avenue, Kidderminster.
- Wetherell, Leslie, A.C.A., 1961; 312 Coal Clough Lane, Burnley.
- Whatmoor, Philip Hugh, A.C.A., 1961; 40 The Drive, Northwood, Middlesex.
- Wheeler, Malcolm Graham, A.C.A., 1961; 6 Westgate Terrace, Earl's Court, London, SW10.
- Wheeler, Michael John, A.C.A., 1961; 21 Oaklands Road, Dartford, Kent.
- Whicelow, Roger Alfred, A.C.A., 1961; 27 Cotterill Road, Surbiton, Surrey.
- Whiting, Lawrence George, A.C.A., 1961; 25 Claremont Road, Westcliff-on-Sea, Essex.
- Wiener, Ernest Arthur Julian, A.C.A., 1961; 46 Friern Road, London, SE22.
- Wilcock, Denis, B.Sc.(ECON.), A.C.A., 1961; 1 Bexhill Road, New Southgate, London, N11.
- Wild, John, A.C.A., 1961; 32 Strathmore Drive, Leeds 9.
- Williams, David Scott, B.A., A.C.A., 1961; 'Windwhistle,' Garden Close Lane, Newbury, Berks.
- Williams, Derek Ivor, A.C.A., 1961; 114 Bolam Street, Newcastle upon Tyne, 6.
- Williams, Edward Gordon, A.C.A., 1961; Pyecroft House, Hanbridge, Chester.
- Williams, George, A.C.A., 1961; 7 Royston Gardens, Ilford, Essex.
- Williams, Howard Edward, A.C.A., 1961; 44 Merewood Road, Barnehurst, Bexleyheath, Kent.
- Williams, Robert Charles, A.C.A., 1961; 3 Field View, Shepton Mallet, Somerset.
- Williamson, Anthony Guy Creswick, A.C.A., 1961; The Redlands, Bishop Sutton, Bristol.
- Wilson, Joseph Alan, A.C.A., 1961; 71 Wingrove Road, Fenham, Newcastle upon Tyne, 4.
- Wilson, Ronald, A.C.A., 1961; 57 Painswick Road, Hall Green, Birmingham, 28.
- Winks, David John ffolkes, A.C.A., 1961; 17 Palace Road, Llandaff, Cardiff.
- Winn, Ronald Guy, A.S.A.A., 1961; with Scot-Russell, Murray & Pugh, P.O. Box 437, Bulawayo, S. Rhodesia.
- Winter, Peter William, A.C.A., 1961; 'Devonia,' Redcliffe Street, Cheddar, Somerset.
- Wiseman, James Neville, A.C.A., 1961; with N. Wiseman, 19 Queen Street, Blackpool.
- Withers, Paul, A.C.A., 1961; 40 Rokesly Avenue, Hornsey, London N8.
- Wood, Gervase Roger, A.C.A., 1961; 52 Priory Road, West Bridgford, Nottingham.
- Wood, Stuart Francis, A.C.A., 1961; 15 Princes Court, Wembley, Middlesex.
- Woodfield, (Miss) Josephine Zoe, A.C.A., 1961; 39 Ashleigh Road, Solihull.
- Woolhouse, Terence Harry Lawrence, A.C.A., 1961; 49 Hoiders Hill Drive, Hendon, London, NW4.
- Wordingham, Douglas Harold, A.C.A., 1961; 41 Ashmore Grove, Welling, Kent.
- Worrall, Donald, A.C.A., 1961; 14 Park Street, Churwell, Leeds.
- Wren, John Richard Cranfield, A.C.A., 1961; 2 Froxfield, Boltro Road, Haywards Heath, Sussex.
- Wright, James William, A.C.A., 1961; 'The Warren,' Great Holland, Frinton-on-Sea, Essex.
- Yale, (Miss) Mary Anora, A.C.A., 1961; The Cottage, Llanbedrog, Pwllheli, Caerns.
- Youle, Edward Robin Godfrey, A.C.A., 1961; 52 Pebworth Road, Harrow, Middlesex.
- Young, David Tyrrell, A.C.A., 1961; 16 Sloane Avenue, London, SW3.
- Young, Derek Roy, A.C.A., 1961; 201 Beoley Road, Redditch, Worcs.

### Fellowship

The Council acceded to applications from nine associates to become fellows under clause 6 of the supplemental Royal Charter.

### Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

- Allardice, James Brian, A.C.A., 1957; 22 Crosfield Street, Warrington, Lancs.
- Baker, Laurence, A.C.A., 1960; 35 Cranmer Road, Edgware, Middlesex.
- Baldwin, Talfourd Laurens Humphrey, A.C.A., 1954; 26 Hillside Avenue, Woodford Green, Essex.
- Barlow, Kenneth Charles, A.C.A., 1953; Shilton-Barlow & Co, 22 Cranmer Road, Hampton Hill, Middlesex.
- Barnes, John Henry, A.C.A., 1960; 159 Norbiton Hall, London Road, Kingston upon Thames, Surrey.
- Basham, Kenneth Frank John, A.C.A., 1951; K. F. J. Basham & Co, Central Buildings, Maldon Road, Witham, Essex.
- Bayliss, John William, A.C.A., 1956; J. H. Hugill & Co, and Tingle, Comber & Co, 38 Chancery Lane, London, WC2; also at Waltham Cross, Tingle, Comber & Co.
- Berry, John Alexander, A.C.A., 1960; Burton, Beresford & Co, 27/28 Finsbury Square, London, EC2.
- Blumer, Charles Robert Colville, A.C.A., 1957; 'Timbers', Sheet Hill, Plaxtol, Sevenoaks, Kent.
- Brand, Ronald Arthur Harry, A.C.A., 1960; 35 Cotswold Gardens, East Ham, London, E6.
- Coggins, Herbert Henry James, A.C.A., 1959; Rushton Osborne & Co, Bank Chambers, 1 John Street, Bedford Row, London, WC1; also at Feltham, Loker, Lowther & Co.
- Constable, Stanley Ernest, A.C.A., 1958; S. E. Constable & Co, 46/48 Frogmoor, High Wycombe.
- Cousins, Malcolm Charles, A.C.A., 1960; Cousins & Co, Norfolk House, 18 Hill Road, Chelmsford, Essex.
- Crick, John Louis Mingaye, M.A., A.C.A., 1953; 28 Conduit Street, London, W1.
- Davis, John Barry, A.C.A., 1958; 60 Swindon Road, Edbaston, Birmingham, 17.
- Debenham, Nicholas James, A.C.A., 1958; Mayor, Cuttle & Co, 52 New London Road, Chelmsford, Essex.

Dunn, Brian Russell, A.C.A., *a1959*; Chamberlain & Merchant, Park House, Friar Lane, Nottingham, and at Portmadoc.

Fisher, Anthony Dennis, A.C.A., *a1952*; A. D. Fisher & Co, 26 Beechcroft Gardens, Wembley Park, Middlesex.

Fletcher, Frank William, F.C.A., *a1937*; Pettitt, Maddox & Co, St Swithins Chambers, 19 Christchurch Road, Bournemouth.

Fowler, John, A.C.A., *a1960*; 62 Pretoria Street, Scotswood, Newcastle upon Tyne, 5.

Foxwell, Michael John, A.C.A., *a1959*; †Sproull, Goddard & Co, 1 St Ann's Road, Harrow, Middlesex, and at London.

Gaskill, John Barry, B.COM., A.C.A., *a1952*; Buckley, Hall, Devin & Co, National Provincial Chambers, Silver Street, Hull, and at Bridlington, Market Weighton and Scarborough.

Grey, Brian John Michael, A.C.A., *aS1957*; \*Seward & Grey, 70 Holton Road, Barry, Glam.

Harrison, James Graham, A.C.A., *a1954*; Chamberlain & Merchant, Park House, Friar Lane, Nottingham, and at Portmadoc.

Hine, Roy, A.C.A., *aS1957*; 32 Gloucester Road, Poynton, Stockport, Cheshire.

Irwin, Kenneth John, A.C.A., *a1951*; \*Glover, Irwin & Co, 23 Eldon Street, Barnsley, Yorks.

Johnson, Hugh Milner, A.C.A., *a1953*; Wm. J. Jennings, Warner & Co, 24 Calthorpe Road, Edgbaston, Birmingham, 15.

Keen, Eric Kenneth, A.C.A., *a1960*; J. & A. W. Sully & Co, Oxford Chambers, 55B Oxford Street, Weston-super-Mare, and at Bristol and London.

Levene, Michael, A.C.A., *a1959*; 14 Mill Ridge, Edgware, Middlesex.

Marwood, Michael Harold, A.C.A., *a1953*; Clayton & Brewill, 15 Wellington Circus, Nottingham.

Matthews, Ronald George, A.C.A., *a1959*; Rushton Osborne & Co, Bank Chambers, 1 John Street, Bedford Row, London, WC1; also at Feltham, Loker, Lowther & Co.

Mellows, Peter James, A.C.A., *a1952*; Cassleton Elliott & Co, 4 and 6 Throgmorton Avenue, London, EC2.

Morgan, Peter, A.C.A., *a1953*; 22 Dyott Road, Moseley, Birmingham, 13.

Morris, Reginald John, A.C.A., *a1958*; J. H. Hugill & Co and Tingle, Comber & Co, Chansitor House, 38 Chancery Lane, London, WC2; also at Waltham Cross, Tingle, Comber & Co.

Mortimer, Ernest Edward, A.C.A., *aS1955*; 4 Barn Crescent, Riddlesdown, Purley, Surrey.

Murrin, Geoffrey, A.C.A., *a1958*; Gardner & Co, Elswick Chambers, 34 Dean Street, 10 Eldon Square, and 125 Clayton Street, Newcastle upon Tyne, 1.

Ohrenstein, Anthony Peter, A.C.A., *a1959*; 36 Wendover Court, Lyndale Avenue, London, NW2.

PAGE, John Stewart, A.C.A., *a1956*; Wm. F. Smart, Son & Bloor, Finsbury Pavement House, 120 Moorgate, London, EC2, and at Streatley-on-Thames.

Pearson, Roger Henry, A.C.A., *a1958*; Martin & Acock, Westminster Bank Chambers, 69 London Street, Norwich, NOR09E, and at Swaffham.

Pigg, Thomas William, A.C.A., *a1958*; 26 Windsor Terrace, Grangetown, Sunderland.

Pollard, Benjamin, A.C.A., *a1959*; 65 Morshead Mansions, Morshead Road, London, W9.

Powell, Maxwell John, A.C.A., *a1960*; B. Smith, Son & Wilkie, 22 Darlington Street, Wolverhampton.

Ratcliffe, Enos Hague, F.C.A., *a1929*; 'Silverdale', Taunton Road, Ashton-under-Lyne, Lancs.

Rogan, Patrick, A.C.A., *a1959*; Middleton & Ashcroft, Red House, 29 The Broadway, Stanmore, Middlesex.

Rosenthal, Stanley, A.C.A., *a1957*; S. Rosenthal & Co, 122 Audley Road, London, NW4.

Royle, John Charles, A.C.A., *aS1955*; 29 Pasture Field Road, Peel Hall, Manchester 22.

Singleton, Michael Henry Tilbury, A.C.A., *a1959*; 22 Boverton Street, Roath Park, Cardiff.

Smith, George Norman, A.C.A., *aS1957*; 9 Elgin Avenue, Harold Park, Romford, Essex.

Smith, Ian Martin, A.C.A., *a1958*; 57 Wallows Wood, Lower Gornal, Dudley, Worcs.

Snelling, Leslie Robert, F.C.A., *aS1948*; 2 Mede Court, Moor Lane, Staines, Middlesex.

Stewart, Barry Sinclair, A.C.A., *a1960*; 22 Weldon Avenue, Bear Cross, Bournemouth.

Struel, Irving, A.C.A., *a1960*; 44 Llandennis Avenue, Cyncoed, Cardiff.

Thomas, Guy David, A.C.A., *a1958*; Gray, Stainforth & Co, De Walden Court, 85 New Cavendish Street, London, W1, and Monument Buildings, 11/15 Monument Street, London, EC3.

Walden, Keith, A.C.A., *aS1956*; 75 Littlefield Lane, Grimsby, Lincs.

Waltzer, Leonard, A.C.A., *a1959*; L. Waltzer & Co, 107 Englefield Road, London, N1.

Warman, Peter Charles, A.C.A., *aS1957*; 52 Shortheath Road, Farnham, Surrey.

Wilson, Herbert, F.C.A., *a1932*; Thomas Gardner & Co, 43 Cheapside, Bradford, 1.

Wratten, Donald Alfred, A.C.A., *a1958*; 10 Vincent Court, Hanley Road, London, N4.

### Re-admission to Membership

Subject to payment of the amounts required by the Council, one former member of the Institute was re-admitted to membership under clause 23 of the supplemental Royal Charter. One application under clause 23 was refused.

### Change of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

Roberts, Henry Clifford, to Roberts, Kamarulzaman.  
Tarley, Harry Aaronowitch, to Tarley, Harry.

### Resignations

The Council accepted the resignations from membership of the Institute of:

Whitehead, Sam, F.C.A., 8 Evesham Road, St Anne's on the Sea.  
Tegner, Sven Stuart, O.B.E., F.C.A., Kilniver, By Organ, Argyll.

It was reported to the Council that the resignation of the following member had become effective on his admission to membership of The Institute of Chartered Accountants of Scotland under the Scheme of Integration between that Institute and The Society of Incorporated Accountants:

Noble, John, F.S.A.A., 51 Mid Street, Fraserburgh.

### Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr John Percy Barrett, F.C.A., Kufala Lumpur.  
„ Sydney Rushton Brockbank, F.C.A., London.  
„ Horace Benjamin Bryant, F.C.A., London.  
„ Theodore Caink, F.C.A., Malvern Wells.  
„ Arthur Layton Carver, F.C.A., Cheam.



Mr George Stanley Coleman, F.C.A., Church Stretton.  
 „ Richard Garton, F.C.A., Huddersfield.  
 „ Sidney Ernest Green, A.C.A., London.  
 „ Arthur James Johnston, F.C.A., Liverpool.  
 „ Albert Brighton Kitchen, F.C.A., Keighley.  
 „ Philip Austin Leicester, I.L.B., F.C.A., Worcester.  
 „ John Oliver May, F.C.A., Woking.  
 „ John Harold Nops, F.C.A., Hampton Hill.  
 „ Ralph David Owen, F.C.A., Bath.

Mr Walter Phillips, F.C.A., Guildford.  
 „ Bertram Hurrell Riley, F.C.A., Geneva.  
 „ Leslie John Rogers, F.C.A., Bromley, Kent.  
 „ Gerald Osler Howard Smith, F.C.A., Exeter.  
 „ Bernard Stagg, F.C.A., Sheffield.  
 „ George Alfred Taylor, F.C.A., Wakefield.  
 „ William Seymour Turner, F.C.A., Llwyngwril.  
 „ Harry Turton, F.C.A., Bradford.  
 „ Miles Nightingale Walton, F.S.A.A., Pontefract.

## FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

*Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at hearings held on March 1st, 1961.*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Douglas Alfred Kater, A.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of clause 21 of the supplemental Royal Charter in that he failed to carry out his promise to discharge a debt of thirty guineas due from him to an association, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Douglas Alfred Kater, A.C.A., had been proved and the Committee ordered that Douglas Alfred Kater, now F.C.A., c/o a bank in Adelaide, South Australia, be reprimanded.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Kenneth Lloyd Watson, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of clause 21 of the supplemental Royal Charter in that (a) he failed to give to the Public Trustee the assistance and co-operation required and expected from him in relation to the winding-up of the estate of a deceased person of which he was at one time an Executor and Trustee; (b) he failed to pay the sum of £98 9s 9d being the taxed costs due from him under the terms of an Order

of the High Court in relation to that estate; (c) he failed to reply to or take any action in respect of three letters addressed to him by an Under-Secretary of the Institute, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Kenneth Lloyd Watson, F.C.A., had been proved under all headings and the Committee ordered that Kenneth Lloyd Watson, F.C.A., of 28 Waterside, Evesham, Worcestershire, be reprimanded.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Max Dover, A.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of clause 21 of the supplemental Royal Charter in that (a) he failed within a reasonable time or at all to prepare and produce the accounts of a business for the year ending September 21st, 1958, (b) he failed despite repeated requests from a firm of chartered accountants and a firm of solicitors to hand over the books and papers in his possession relating to that business, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Max Dover, A.C.A., had been proved under both headings and the Committee ordered that Max Dover, A.C.A., of 17 Brandon Street, Birkenhead, be excluded from membership of the Institute.

## PRESENTATION OF PRIZES

### November 1960 Examinations

On Wednesday, April 5th, the President, Mr S. John Pears, F.C.A., formally presented prizes and certificates of merit to the successful candidates in the November 1960, examinations, who were able to attend.

Relatives and friends of prize winners were invited to the ceremony, which was held in the Oak Hall at Moorgate Place and was followed by tea.

In the course of his address, the President said:

Ladies and gentlemen, I should like to welcome you on behalf of the Council to this prize-giving and

presentation of certificates of merit in the Oak Hall. After the prizes have been presented we shall be delighted if you will have tea with us here and we shall then have an opportunity of making your acquaintance rather better than we can from the platform.

For those who have passed the Intermediate, I would like to say that I think this will be a tremendous encouragement to you. You have now gone through the duller part of your studies and I think you will find more interest as you go on. I hope you will do equally well in the Final.

To those who have passed the Final, I would like to say that you are now about to enter a great profession. It carries with it privileges but it involves obligations also. These obligations are the greater because this is a profession which is founded on giving service to others. During the course of your work in the future you will have access to secrets of all kinds and it is a fundamental principle that you must never pass those secrets on to others or use them for your own benefit. I am sure you would not be tempted to do so, but it can be exceedingly difficult at times to stop yourself passing on information, for those who seek it often do so not by direct means but by subtle questions.

I would like you to approach your work in the profession from a constructive point of view. Too many accountants in the past have been content to do the job allotted to them without trying to make constructive suggestions for helping their clients. I hope you will have a progressive outlook in this respect.

There is one great weakness which all accountants have: they think that they can do a particular job better than anyone else. If you are going to make real progress in your profession the first thing that you have to learn to do is to cure yourself of that habit and

learn to delegate; the man who cannot delegate will never make any real progress. If you hear a man say, 'It is quicker to do it myself,' you will know he is a great handicap to his own progress.

You will have to learn to negotiate and exercise your judgment. You have at your disposal technical knowledge which you have learned. You will have to go on adding to that knowledge, but by far and away the most difficult part is to learn how to exercise your own judgment properly and to learn how to negotiate. To negotiate you have to try and understand the other man's point of view so that you can deal with the doubts which may arise in his mind.

If you are thinking of leaving the profession and going into industry take my advice and stay in your profession for two or three further years. You will learn a lot more and what is more important you will go into industry at a higher level. The level at which you go into industry for the first time will, in fact, dominate the position you will obtain for many years, and it is often very difficult to get out of that level. Take my advice and wait until you can get a job at a higher level and in that way earn your proper reward.

Thank you, very much.

## MEMBERS' LIBRARY

*The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:*

A Berliner Research Report on Accounting for Paper Mills. (J. J. Berliner & Staff.) New York. (c. 1952). (J. J. B. & Staff, 126s.)  
Companies Act (Northern Ireland), 1960. (Northern Ireland.) Belfast. 1960. (H.M.S.O., 16s 6d.)  
Companies: law and practice; by S. W. Magnus and M. Estrin; third edition 1957. Supplement 1961. (Butterworths, 10s 6d.)  
Cost Administration: Cases and Notes: accounting for cost control and product decision; by E. D. Bennett. Englewood Cliffs, N.J. 1960. (Prentice-Hall, 67s 6d.)  
Current Application of Direct Costing: research report 37. (National Association of Accountants.) New York. 1961. (N.A.A., 82s.)  
Duties of a Company Secretary; by T. Bolton and P. F. Hughes: second edition 1960. (Secretaries Journal, 30s.)  
Guide to Creditors Voluntary Winding Up with set of usual drafts and forms. (Longacre Press Services.) [1961]. (Longacre Press, 21s.)  
How to Make Money on the Stock Exchange; by K. S. Most. 1961. (Museum Press, 15s.)  
Income Tax; by J. L. Mellor. 1961. (Pitman, 30s.)  
Introduction of Double-entry Book-keeping to Japan by Vicente E. Braga in 1870s; by K. Nishikawa. Tokyo. 1960. (Moriyama Book Store, presented by the author.)  
The Investor's Manual 1961. . . . (Nicholas Kaye). 1961. (N.K., 18s.)  
The Law of Stamp Duties; by J. G. Monroe; third edition. 1961. (Sweet & Maxwell, 42s.)  
Liquid History: to commemorate fifty years of the Port of London Authority 1909-59; by A. Bryant. 1960. (P.L.A., gratis.)  
Mathematics in the Making; by L. Hogben. 1960. (Macdonald, 50s.)  
Members Voluntary Winding Up: Statutory Requirements with set of all necessary drafts and forms. (Longacre Press Services.) [1961]. (Longacre Press, 21s.)  
Ownership, Control and Success of Large Companies: an analysis of English industrial structure and policy 1936-51; by P. S. Florence. 1961. (Sweet & Maxwell, 63s.)

Sixteenth-Century Writings on Bookkeeping; by Dorothea D. Reeves. (Reprinted from the Business History Review No. 3, 1960.) (Presented by the Baker Library, Harvard Univ., Boston.)  
Stamp Duties; by F. Nyland; second edition 1957. Second supplement, 1961. (Butterworth, 6s.)  
Tramp Shipping; by H. Gripiaios. 1959. (Thomas Nelson, 25s.)

## COLLECTION OF EARLY BOOKS

The following two items have been added to the collection:

Bennett (J.): The American System of Practical Book-keeping. . . . New York. 1820. (Francis Edwards, £5.)  
This is the second book on book-keeping published in America. E. T. Jones, of Bristol, published an American edition of his *English System of Bookkeeping* in New York about 1797. Then this book by Bennett followed and until this purchase the earliest edition in the Institute library was the twelfth of 1829. The author describes himself as 'Accountant, Lecturer on Bookkeeping and President of the Accountants' Benevolent Society of the City of New York'. Bound and published with it is another work with separate title-page called 'Jackson's Bookkeeping adapted to the coin and commerce of the United States . . .' by the same author and dated, in New York, 1821.

Josephus Unicornus: De l'Arithmetica Universale . . . Venice. 1598. (Dawson, £42.)  
This book is an elaborate work on mathematics partly following Pacioli. It is divided into six books and the last two deal with business arithmetic, exchange and interest. 'Frate Luca Paccioli', Tartaglia, Galeno, Archimede and Cardano are referred to and it would seem that actual examples of transactions have been borrowed from Pacioli. For instance, question number 36 in Unicornus (leaf 254) ' . . . posto dal Tartaglia a numero 50, & da Frate Luca al caso 33' is quite clearly taken from Pacioli's 'Summa' (leaf 171, 1494 edition). Both Pacioli and Unicornus dedicate their books to 'Duca de Urbino' so perhaps the famous library there gave both these men the encouragement and facilities to set down the results of their work.

# THE BELFAST SOCIETY OF CHARTERED ACCOUNTANTS

## ANNUAL MEETING

The fifty-fourth annual meeting of The Belfast Society of Chartered Accountants was held on March 27th at *The Wellington Park Hotel*, Belfast.

In his address to members, Mr T. D. Lorimer, F.C.A., Chairman of the Society, referred to the passing of the long-awaited Companies Act (N.I.), 1960, which came into force on April 1st, 1961, with provisions following fairly closely those of the Companies Act, 1948.

### New Industries for Ulster

Mr Lorimer stated that it had become the custom for the Chairman to comment at the annual meeting on matters of general interest. He went on to refer to the economy of Northern Ireland, and said:

'The growing trade division in Europe is not helping our position. The large American and British firms are now finding it necessary to have a factory inside the Common Market and thus the firm which might have been induced to come to Northern Ireland is being set up on the European mainland.

'The Ministry of Commerce must be finding the business of attracting new industries becoming increasingly more difficult and our thanks are due to that Ministry for its work over the past year. The Ministry's encouragement to existing industries as well as new ones in the form of capital grants is to be commended. I would say, however, that with the present high rate of taxation the effectiveness of this grant in relationship to expenditure on machinery is not all that was intended. With the requirement that the amount of the grant is to be deducted from the cost of the plant purchased before calculation of capital allowances for tax purposes, a company is straight away losing over 30 per cent of the grant at an effective rate of tax of 10s 3d in the £. I would suggest that in the forthcoming Finance Act provision be made for the payment of the grant without having an effect on the capital allowances due.'

Commenting on the better relationship now existing between workers and management in all industries throughout the province, Mr Lorimer said:

'The only raw material available in Northern Ireland in any quantity is labour and it is true to say that we have been justly proud of the skill and ability of our craftsmen. Soon we shall see the departure of the great new liner *Canberra*, which will be a proud advertisement for the craftsmanship of our province; but with its departure we are faced with considerable unemployment in one of our major industries and this unemployment will be felt not only by those whose jobs have ceased but by trade generally throughout the province. I have no doubt that the management of Harland & Wolff will do its utmost to obtain new orders and, if possible, obtain the contract for the new *Queen* liner. Mr Marples has made it clear that this prize contract will go to the yard with the best proposition. Let us hope that management and unions will co-operate in making the proposition from Belfast the best. A heavy responsibility for the future of our province rests on the shipyard workers; an avoidance of unofficial stoppages and demarcation disputes would best pave the way for the yard to obtain new orders. I would appeal to all workers and management in the province to have fewer demarcation disputes, less provocation, more co-operation and ultimately more production.'

### ANNUAL REPORT

The annual report of the Society for 1960, presented at the annual meeting, records an increase in membership during the year of forty-six, bringing the total membership up to 799.

The lecture subcommittee arranged an interesting series of meetings during the year, and guest speakers included Mr H. J. S. French, O.B.E., B.C.L., Chairman of the Issuing Houses Association, and Mr S. R. Hogg, F.C.A. Another interesting meeting took the form of a 'Brains Trust' when members of the Association of H.M. Inspectors of Taxes were the guests of the Society and the Chief Inspector of Taxes for Northern Ireland acted as question master.

Social functions included a dinner dance attended by nearly 200 members and guests, and the annual golf meeting held at Royal Belfast Golf Club.

### Industrial and Administrative Group

The Society's Industrial and Administrative Group had another successful year. Seven meetings were held and members were the guests of Harland & Wolff Ltd on a visit of inspection of the company's shipyards. Social functions included the fourteenth annual dinner held at *The Midland Hotel*.

### Students' Group

Membership of the Society's Students' Group again increased in 1960 and a series of alternating luncheon and tea meetings were arranged at which guest speakers gave addresses.

The twenty-second annual dance of the Group was well attended, while at sport, the annual summer meeting took place once again at Royal Belfast Golf Club when golf and tennis competitions were held.

### NEW OFFICERS

Mr D. H. Templeton, F.C.A., was elected Chairman of the Society for the ensuing year. Mr Templeton is a partner in the firm of Ashworth, Rowan & Co, Chartered Accountants, of Belfast. He was admitted to membership of The Institute of Chartered Accountants in Ireland in 1946.



Other officers for 1961-62 were elected as follows:

*Vice-Chairman:* Mr B. A. Courtney, M.COM. & C., F.C.A.

*Immediate Past Chairman:* Mr T. D. Lorimer, F.C.A.

*Hon. Secretary:* Mr D. M. Foster, F.C.A., Callender House, 6 Callender Street, Belfast.

*Hon. Treasurer:* Mr N. G. White, F.C.A.

*Hon. Auditor:* Mr N. W. Allen, F.C.A.

*Elected to fill vacancies on the Committee:* Mr G. B. Duffin, F.C.A., and Mr M. W. Heanen, A.C.A.

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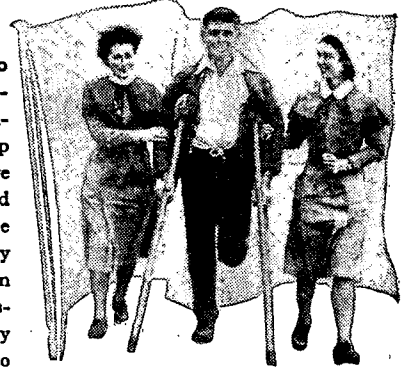
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# THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON CAMBRIDGE WEEK-END COURSE

Two hundred and forty four-students, including eight girls and also four students from the Plymouth Students' Society, spent an argumentative week-end in Corpus Christi and Emmanuel Colleges, Cambridge, from Thursday to Sunday of last week. The course was under the chairmanship of Mr Geoffrey Hughes, M.A., A.C.A., a past chairman of the Students' Society committee.

The first speaker was Sir Theobald Mathew, K.B.E., M.C., Director of Public Prosecutions. His talk on 'The Queen's Peace' opened many eyes to the effective way in which law and order are maintained in England and Wales by an efficient mixture of legal and common-sense action and inaction. Much argument followed in the discussion groups on such subjects as the virtues and failings of the jury system.

Sir Theobald was followed on Friday morning by Mr Lionel Murray, B.A., Secretary of the Research and Economic Department of the Trades Union Congress. He was asked to be provocative, and his reasoned presentation of many ideas with which the audience disagreed, and the fresh facts of familiar situations which he presented, inevitably raised heated discussion in the groups and many pointed questions for him to deal with at his second meeting. In spite of the large measure of disagreement with his opinions, he was most enthusiastically thanked for his stimulating contribution to the course discussions.

On a more technical subject, 'Why cost it', Mr E. H. Davison, F.C.A., financial director, General Electric Co Ltd, gave a most valuable talk on the practical aims, difficulties and methods of a subject on which few articulated clerks are able to obtain anything more than textbook experience.

The fourth lecture in the course was given by Mr Hervey Adams, R.V.A., Art Master at Tonbridge School, on 'A true and fair picture'. His lively presentation of an entirely fresh approach to a concept so familiar in its technical sense to the profession, started many new lines of thought which, perhaps, may result ultimately in the better balance sheet of the future.

Finally, Mr Geoffrey Stevens, F.C.A., M.P., addressed the students on 'How laws are made'. As with each of the preceding lectures, the result was a very broad widening of the knowledge of the audience on a subject of professional importance which was already familiar, but only to a partial extent.

## Other Events

The President of the Students' Society, Mr W. E. Parker, C.B.E., F.C.A., took the chair at high table at dinner in Corpus Christi College on the Thursday evening and in Emmanuel College on the Friday. He spent Thursday evening and all Friday with the students, joining in the arguments in discussion groups and taking part in a brains trust. Guests at the President's dinners were Sir George Paget Thomson, M.A., SC.D., F.R.S., the Master of Corpus Christi College, on Thursday, and Mr W. S. Mansfield, C.B.E., M.A., the Vice-Master of Emmanuel College, on Friday.

Divine Service on Sunday in Corpus Christi College Chapel was conducted and addressed by Rev. J. H. Lang, M.A., Chaplain of Emmanuel College.

The lighter side of the course was provided by a punt race on the Cam on Saturday afternoon followed by a dance in the evening.

# Notes and Notices

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

### Annual Meeting

The annual meeting of The Institute of Chartered Accountants in England and Wales will be held in the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, EC2, on Wednesday, May 3rd, at 2 p.m. It will be followed by a special meeting for the purpose of making alterations to the Royal Charters and bye-laws.

## THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

The annual general meeting of The Chartered Accountants' Benevolent Association will follow the annual meeting of the Institute referred to in the note above.

## PROFESSIONAL NOTICES

MESSRS COOPER & COOPER, Chartered Accountants, of 10 and 12 Bowkers Row, Bolton, and Manchester and London, announce that they have taken into partnership at their Bolton office, Mr BRYAN UNSWORTH PLATT, A.C.A., who served his articles with the firm and has been a member of the staff for many years.

MESSRS GUNDRY, COLE & Co, Chartered Accountants, of 3 Great Winchester Street, London, EC2, announce that Mr THOMAS J. BOND, F.C.A., senior partner of the firm, retired from the partnership on April 6th, 1961. The practice will be continued by the remaining partners under the same name.

MESSRS E. W. HAMMOND, RAW & Co, Chartered Accountants, of Feethams South, 70 Victoria Road, Darlington, announce that Mr EDWARD GLYN HAMMOND, A.C.A., has been admitted into partnership



as from April 6th, 1961. The name of the firm will remain unchanged.

MESSRS HEATHCOTE & COLEMAN, Chartered Accountants, of 69 Harborne Road, Edgbaston, Birmingham, 15, announce that they have taken into partnership as from April 6th, 1961, Mr KENNETH CHAPPELL, M.A., A.C.A. Mr CHAPPELL served his articles with the firm, which he now re-joins after a period of service with chartered accountants in London. The title of the firm remains unchanged.

MESSRS KEMP, CHATTERIS & Co, Chartered Accountants, of St Swithin's House, Walbrook, London, EC4, announce that Mr ERIC ALFRED CRAWFORD JONES, F.C.A., has been admitted to the partnership.

MESSRS KINGSFORD, GARLANT & Co, Chartered Accountants, of 23 Essex Street, Strand, London, WC2, and Maidstone, Kent, announce that Mr M. J. DONOVAN, A.C.A., was admitted to the partnership on April 1st, 1961.

MESSRS KNEESHAW, MOFFATT & Co, Chartered Accountants, of Burnley and Blackpool, announce that they have admitted to partnership as from April 6th, 1961, Mr ALAN GREENWOOD, A.C.A., and Mr J. TREVOR JONES, A.C.A., both of whom have been with the firm for many years.

MESSRS DAVID KROLL & Co, of 35 Dover Street, Piccadilly, London, W1, announce that as from April 6th, 1961, Mr PETER BRIAN JAMES, B.SC.(ECON.), A.C.A., has been admitted into partnership. The practice will continue to be carried on from the same address under the style of DAVID KROLL & Co, Chartered and Incorporated Accountants.

MESSRS MAURICE APPLE & Co, Chartered Accountants, of 1 Hyde Park Place, London, W2, announce that as from April 10th, 1961, they have taken into partnership Mr A. A. SHEENA, A.C.A., who has been a member of the staff for many years.

MESSRS EDWARD MOORE & SONS, Chartered Accountants, of Thames House, Queen Street Place, London, EC4, announce that as from April 7th, 1961, they have taken into partnership Mr MICHAEL K. DOWN, A.C.A., and Mr CYRIL L. ADAM, A.C.A.

MESSRS S. ARTHUR MORRIS, C.A., of Hamilton, Bermuda, and GERALD E. MARTIN, C.A., of LEE & MARTIN, Chartered Accountants, of Halifax, Nova Scotia, members of the Canadian Institute, and Mr H. A. SNELLING, F.C.A., of MIDGLEY, SNELLING & Co, Chartered Accountants, of London, announce that they have entered into partnership and formed a Bermuda firm which will practise at Vallis Building, Hamilton, Bermuda, under the firm name of MORRIS, SNELLING, MARTIN & Co, Chartered Accountants.

MESSRS PEAT, MARWICK, MITCHELL & Co announce that Mr BRIAN JOHNSON, A.C.A., has been admitted into the Hong Kong partnership as from April 1st, 1961.

MESSRS A. E. QUAIFF & GOWER, Chartered Accountants, of 19/21 Farringdon Street, London, EC4, announce that Mr R. C. SLATTER, A.C.A., who has been with the firm for many years, was admitted to partnership as from April 6th, 1961. The firm's name remains unaltered.

MESSRS RHODES, STRINGER & Co, of 31 Manor Row, Bradford, and Messrs RUSHWORTH, INGHAM & RHODES, of 45 Well Street, Bradford, announce that they amalgamated their practices as from April 1st, 1961, under the style of RHODES, STRINGER, INGHAM, CLARE & Co, Chartered Accountants. The address of the new firm is now 45 Well Street. All the partners in the old firms will continue their association in the new, and Mr JAMES R. AKESTER, A.C.A., who served his articles with Messrs RHODES, STRINGER & Co, has been admitted as a partner.

MESSRS SHIPLEY, BLACKBURN, SUTTON & Co, Chartered Accountants, of 52/53 Jermyn Street, London, SW1, announce that they have admitted into partnership Messrs GEORGE WILLIAMS, A.C.A., R. D. PEARCY, A.C.A., and P. D. JONES, F.C.A., all of whom have been associated with the firm for some years.

MESSRS SHIPLEY, BLACKBURN, SUTTON & Co, Chartered Accountants, of 52/53 Jermyn Street, London, SW1, and Messrs SHIPLEY, MILTON & Co, of West End Lane, Pinner, Middlesex, and John Street, London, WC1, announce that they have amalgamated their practices which will be continued in the name of SHIPLEY, BLACKBURN, SUTTON & Co from all three addresses.

MESSRS THORNTON BAKER & Co, Chartered Accountants, of London, Oxford and elsewhere, greatly regret to announce the sudden death on April 10th, 1961, of Mr HOWARD J. IMPEY, F.C.A., one of their partners.

MESSRS WALL & TANFIELD, Chartered Accountants, and Messrs FOX & Co, Chartered Accountants, of 4 Vicarage Road, Edgbaston, Birmingham, 15, and 196 Wolverhampton Street, Dudley, announce that Mr C. H. BOWLES, F.C.A., who has been a member of the staff for some years has been admitted a partner in both firms as from April 1st, 1961.

MESSRS WEEKS, GREEN & Co, Chartered Accountants, of 21 Cumberland Place, Southampton, announce that Mr C. W. EADES, A.C.A., who has been a senior member of their staff for the past three years, has been admitted as a partner. The name of the firm remains unchanged.

#### Appointments

Mr J. H. E. Craster, F.C.A., has been appointed a director of The Newcastle Breweries Ltd.

Mr H. J. Penn, F.C.A., has been appointed chairman of Murex Ltd and of Murex Welding Processes Ltd.

Mr H. L. Malvern, F.C.A., has been appointed a managing director of Spratts Patent Ltd.

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### REVALUATION OF ASSETS

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Mr Leslie Hammond, F.C.A., secretary of Christy Brothers Ltd, has been appointed a director of the company.

Mr C. E. M. Hardie, O.B.E., F.C.A., has been appointed a director of the British American & General Trust Ltd.

Mr H. T. Nicholson, F.C.A., and Mr C. G. Brown, F.C.A., have been invited to join the board of C.O.P. Investments Ltd.

Mr A. F. Thomas, F.C.A., an assistant managing director of the Delta Metal Co Ltd, has been appointed to the boards of Sperryn & Co Ltd and C. H. Edwards, members of the Delta Metal Group.

Mr R. A. Bourne-Paterson, M.A., F.C.A., manager (finance) of the Imperial Continental Gas Association, has been appointed general manager.

Mr D. H. Maitland, A.C.A., has been appointed secretary of Bank Insurance Trust Corporation Ltd.

Mr C. M. Spencer, A.C.A., accounts superintendent of Legal and General Assurance Society Ltd, has been appointed an accountant (central administration).

Mr J. W. Hough, O.B.E., F.S.A.A., F.I.M.T.A., formerly Borough Treasurer of Islington, and a Past President of The Institute of Municipal Treasurers and Accountants, has been appointed by the Minister of Health to the Board of Governors of the National Hospitals for Nervous Diseases, Queen Square, London, WC1.

#### OBITUARY

##### John W. Horton, B.Com., F.C.A.

We have learned with regret of the death on March 31st, at his home at Andrézy, near Paris, of Mr John W. Horton, B.COM., F.C.A., senior resident partner in Paris in the firm of Barton, Mayhew, Horton & Turquand Youngs.

Mr John Horton was born at Kidderminster in 1906 and after serving his articles with Messrs Harvey Preen & Co, he was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1928, and was elected to Fellowship in 1952. In 1928 he joined the Paris office of Barton, Mayhew & Co. In 1931 he left the profession to take up the appointment of chief accountant to the Pathé-Marconi organization in France. Leaving Paris immediately before the German occupation in 1940 he returned to England and was appointed joint managing director of A. C. Cossor Ltd, which was engaged during the war period in the production of military supplies for the Service departments.

After the war Mr Horton returned to Barton, Mayhew & Co in Paris. In 1957 that firm amalgamated its practice in France with that of Turquand, Youngs & Co, and Mr Horton became the senior resident partner of the new firm, which also bore his name.

Mr Horton served for many years as treasurer of the English Church of Maison Lafitte in Paris. At the time of his death he was a member of the board of management of the British Hospital in Paris and a member of the board of the British Chamber of Commerce there. He was also President of the Association of British Chartered Accountants practising in Paris.

Mr Horton leaves a widow and two sons.

#### CHARTERED ACCOUNTANT MAYOR

Councillor Harold Gould, F.C.A., senior partner in a firm of chartered accountants who have been in Holborn in the City of London since 1904, is to be the

next Mayor of Holborn. Mr Gould, who is aged 35 and a bachelor, has chosen his mother, Mrs Max Gould, as his Mayoress.



Councillor Harold Gould

A member of Holborn Council since 1956, Mr Gould is also a first-class under-water swimmer. He led the British Sub-Aqua Club team which accompanied Jane Baldasare in her unsuccessful attempt to swim the Channel under water last September.

#### DOUBLE TAXATION CONVENTIONS

##### Sweden and Faroe Islands

The revised double taxation convention relating to taxes on income (to replace the convention signed on March 30th, 1949) and the double taxation convention relating to duties on the estates of deceased persons, between the United Kingdom and Sweden (*The Accountant*, November 12th, 1960), which were signed on July 28th, 1960, have been published as schedules to Orders in Council numbered S.I. 1961 Nos. 577 and 578 respectively.

The arrangements between the United Kingdom and Denmark for the extension to the Faroe Islands of the double taxation convention with Denmark (*The Accountant*, February 4th, 1961) are also published as a schedule to an Order in Council numbered S.I. 1961 No. 579.

#### ASSOCIATION OF CONSULTING ACTUARIES

A booklet entitled *Retirement and Death Benefits for Employees and their Dependants* has been prepared by the Association of Consulting Actuaries, and is being widely distributed.

The Association of Consulting Actuaries is an association of Fellows of the Institute of Actuaries or of the Faculty of Actuaries who are engaged in full-time consulting practice. Much of the time of con-

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sulting actuaries is occupied in advising on the complex problems surrounding the provision of benefits of the nature described by the title of the booklet. In particular, consulting actuaries are closely concerned with the provision of employee benefits by means of self-administered trust funds. As stated in the booklet, by their very nature private self-administered funds do not receive much publicity and the booklet is therefore being issued to focus attention on this method of providing pensions.

### REVENUE PAPER

#### Easter Sitzings, 1961

The following cases are down for hearing during the Easter Term:

#### HOUSE OF LORDS

Winter and Others *v.* C.I.R.  
Mitchell and Others *v.* C.I.R.  
C.I.R. *v.* J. B. Hodge & Co (Glasgow) Ltd.  
Hood Barrs. *v.* C.I.R.  
North of Scotland Hydro-Electric Board *v.* C.I.R.

#### COURT OF APPEAL

Henry Ansbacher & Co *v.* C.I.R.  
C.I.R. *v.* Rolls-Royce Ltd.  
Jeffrey *v.* Rolls-Royce Ltd.  
Tableau Holdings Ltd *v.* Williams.  
Williams *v.* Tableau Holdings Ltd.  
Cenlon Finance Co Ltd *v.* Ellwood.  
Ellwood *v.* Cenlon Finance Co Ltd.  
Ackland & Pratten Ltd (in liquidation) *v.* C.I.R.  
Crossland *v.* Hawkins.  
J. P. Harrison (Watford) Ltd *v.* Griffiths.  
Aviation & Shipping Co Ltd *v.* Murray.  
C.I.R. *v.* R. Woolf & Co (Rubber) Ltd.  
Jenkinson *v.* Freedland.  
Forest Side Properties (Chingford) Ltd *v.* Pearce.  
Littlewoods Mail Order Stores Ltd *v.* C.I.R.  
Brown *v.* Bullock.

#### HIGH COURT (Chancery Division)

Jamieson, *v.* C. *v.* C.I.R.  
Wills *v.* C.I.R.  
British Commonwealth International Newsfilm Agency Ltd *v.* Mahany.  
Hibbert *v.* Fysh.  
T.S.S. Investments Ltd *v.* C.I.R.  
Feather Brothers Ltd *v.* C.I.R.  
C. H. Godden *v.* A. Wilson's Stores (Holdings) Ltd (formerly The Morib Plantations Ltd).  
McKie *v.* Warner.  
Rae *v.* Lazard Investment Co Ltd.  
Davies *v.* Edwards.

(for judgment)

Johnson *v.* Jewitt.

### LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

#### South Lancashire Branch

The annual general meeting of the South Lancashire Branch of the Liverpool Society of Chartered Accountants was held at *The Fleece Hotel*, St Helens, on March 24th. The following officers were appointed for the forthcoming year:

*Chairman:* Mr E. S. Stanley, F.C.A.

*Vice-Chairman:* Mr J. Hall, F.S.A.A., F.I.M.T.A.

*Hon. Treasurer:* Mr S. Dobb, F.C.A.

*Hon. Secretary:* Mr B. S. Hardman, A.C.A., c/o Beecham Pharmaceuticals Ltd, St Helens, Lancs.

The annual dinner was held later the same evening, when the new chairman, together with Mr T. A. Hamilton Baynes, M.A., F.C.A., J.P., representing the Institute Council, received over one hundred members and guests. Mr G. Newman, Barrister-at-law, proposed the toast of 'The Institute of Chartered Accountants in England and Wales', to which Mr Hamilton Baynes responded. Mr J. H. Davies, F.C.I.S., managing director, Beecham Pharmaceuticals Ltd, responded to the toast of 'Our Guests' which was proposed by the chairman.

### LIVERPOOL CHARTERED ACCOUNTANT STUDENTS' ASSOCIATION

At the seventy-eighth annual general meeting of the Liverpool Chartered Accountant Students' Association held on March 30th, the following officers were elected for the year 1961-62:

*President:* Mr J. A. Colvin, F.C.A.

*Vice-Presidents:* Messrs G. English, F.C.A., F. D. M. Lowry, A.C.A., M. S. Moon, A.C.A.

*Hon. Treasurer:* Mr D. M. Heather.

*Hon. Secretary:* Mr A. W. H. Smith, The Library, 5 Fenwick Street, Liverpool, 2.

*Hon. Auditors:* Messrs W. A. Bates, A.C.A., and D. K. Adams, B.COM., A.C.A.

### THE INSTITUTE OF INTERNAL AUDITORS

#### European Regional Conference

The second European regional conference of The Institute of Internal Auditors is to be held at *The Cairn Hotel*, Harrogate, on May 10th, 11th and 12th.

The speakers will include Mr H. L. Bingham, B.A., A.C.W.A., Courtaulds Ltd; Mr W. R. Seddon, M.Sc. (TECH.), Urwick Orr & Partners Ltd; and Mr J. Whitehouse, F.A.C.C.A., F.R.ECON.S., joint managing director, Montague Burton Ltd.

Further details may be obtained from Mr J. Coates, divisional internal auditor, Shell-Mex and B.P. Ltd, Shell-BP House, Eastgate, Leeds, 2.

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THIS year's Budget breaks new ground. It is true that THE CHANCELLOR has not had much room for manoeuvre on the Exchequer side but definite progress has been made in improving the Budget as an instrument of economic policy. It has, indeed, to be judged in part on its degree of boldness in forging new instruments of economic control and in part for the hints it gives as to how those instruments will be used.

In his Budget Mr LLOYD has set out quite clearly the economic framework for his proposals. They are broadly a reiteration of the *Economic Survey* published two weeks ago. The rise in personal consumption must be restrained. As in 1960, increased saving is expected to play a large part in achieving stability. The broad effect of the Budget must be 'counter inflationary', to use the CHANCELLOR's word. There must be a larger surplus above the line than last year and a smaller overall deficit. Existing encouragements to investment must be maintained while room must be left for increased exports. The CHANCELLOR therefore concluded that he had to consider whether existing methods of regulating the economy could be improved, whether incentives to effort could be increased - whilst maintaining confidence in sterling.

He has budgeted for a total revenue above the line of £6,508 million compared with an outcome in the fiscal year just ended of £5,934 million, an increase of 10 per cent. Above the line expenditure is scheduled to go up to £6,002 million an advance of 4 per cent on last year's out-turn. The above the line surplus therefore works out at £506 million compared with £147 million last year. He has in fact aimed at a round figure of £500 million as his above the line surplus and has decided to raise an additional £80 million to achieve it. Below the line net payments are expected to reach £575 million compared with the out-turn last year of £541 million. The overall deficit this year is therefore expected to be £69 million against £394 million in 1960-61.

This is the measure of the curb which the CHANCELLOR deems it necessary to place upon the economy. The fear is clearly that the economy will gallop away out of control: last year's recession is over and done with. The expectation is that this measure of control laid down in April will maintain foreign confidence in sterling without producing an old-fashioned deflationary Budget.

So far as the arithmetic of the Budget is concerned there was not much room for MR LLOYD to make concessions to the taxpayer in the form of incentives. He has gone as far in that direction, however, as he probably ought to without stimulating incentive into inflation. He has paid his unofficial advisers the compliment

of reviewing most of the more constructive proposals for relief but has passed over Schedule A relief (except to a modest extent), and taxation relief on husband and wife joint incomes; on the other side he has examined a capital gains tax but has turned it down for this year. The individual proposals for changes in taxation are dealt with in the second part of this article.

The big concession of the Budget, as discussed later, is the change in surtax. In a full year this will cost £83 million and the CHANCELLOR expects to cover this by an increase of  $2\frac{1}{2}$  per cent in the profits tax which in a full year will bring in £70 million. The plan has been to switch the burden from the individual to the company, a solution which has a political flavour about it. Individuals are encouraged to work harder but there is less incentive for companies to maximize their profits. Yet it is surely an incentive to make British industry maximize its profits rather than rest content with some notional idea of what is a good, make-do, level of profits from year to year which is needed to help the export drive.

If the Budget had ended at this point it would have been no advance on its recent rather prosaic predecessors. The CHANCELLOR has gone ahead, however, and looked seriously at two major budgetary issues – the simplification of the tax system and the possibility of bringing into play more flexible economic regulators. Having examined the possibility of amalgamating income tax and surtax he has decided that, discretion being the better part of valour, he will work gradually towards the assimilation of the rules governing each of them. The idea of one tax system for companies instead of income tax and profits tax is to be further examined before the next Budget.

A review has also been put in hand for simplifying the Exchequer accounts as a whole. This particularly concerns a more logical division of items above the line and below the line. Proposals have now gone to the Public Accounts Committee and the Select Committee on Estimates.

The big advance in principle this year, however, is the proposal to use economic regulators between Budgets. The CHANCELLOR accepts the point from the critics that certain economic controls operate jerkily and discriminate unfairly between industries. Dismissing a sales tax rather summarily in his speech, he has proposed that the Government should be empowered by statute

at any time of the year to modify the main Customs and Excise duties and purchase tax. The maximum change in either direction is to be 10 per cent, giving a total swing of plus £200 million to minus £200 million in control of the public's purchasing power. Two hundred million pounds is about 1 per cent of the national income and about one-third of the typical annual increase in the public's purchasing power. This could be a powerful and flexible weapon but the essence of its efficiency will be skill in timing. Judgment and practice will be necessary if it is not to create loss of confidence (the threat of its use in given circumstances may prove to be the most powerful instrument of all) and exasperation in industry, or to raise costs and prices and so stimulate wage inflation. Ultimate control of this power will rest with the House of Commons since provision will be made for its renewal each year.

A second regulator is a possible surcharge like a payroll tax on employers, of up to 4s per employee a week offering a maximum withdrawal at one time of £200 million and again requiring a statutory instrument, expiring annually. The use of this second device may well be mainly to encourage mobility of labour. It will, when used, penalize those who hang on to labour by working short time when national policy requires a movement of labour. There are several industries which are constant offenders in this respect. It will also favour capital-intensive industries and should therefore act as an incentive to use labour more economically, that is, to get greater productivity per worker within the context of a full employment policy and thus to lower costs and encourage competitive power. How precisely industry will act when faced with the use, or threat of use, of these devices only time will show. In advance, they offer together a maximum brake of £400 million on the disposal of income in the private sector at any one time. They are therefore potentially exceedingly powerful.

The dawn of the space age this April has thus also brought new horizons to British budgetary policy. Winds of change are blowing in other places besides Africa. There is still a long way to go in fiscal reform but this year sees a break with the past and MR LLOYD is to be congratulated on his innovations and is to be encouraged to keep up the momentum.

## Proposed Changes in Taxation

The rate of profits tax is to be increased from  $12\frac{1}{2}$  per cent to 15 per cent as from April 1st. This is perhaps the most simple change introduced by MR SELWYN LLOYD in the field of Inland Revenue duties. It helps to pay for some of the concessions mentioned below, although the inevitable time lag in agreeing liabilities means that for the current year the increase in yield is not expected to reach £2 million. One side-effect of the change is that the field in which surtax directions are worth making is reduced; irrespective of the surtax concessions mentioned below. Bearing in mind that a company whose income is all apportioned to individuals thereby becomes exempt from profits tax, the loss of 15 per cent of the profit, as against  $12\frac{1}{2}$  per cent is likely to make the Special Commissioners less eager to make directions.

The CHANCELLOR came to the Treasury hoping to simplify the structure of company taxation by amalgamating income tax and profits tax. Although not put off by the adverse view of the Royal Commission on Taxation – influenced as the Commission was by the thought that the companies tax might become lower than the income tax – MR LLOYD was impressed by the difficulties about the deduction of tax from dividends, particularly inter-company dividends. In the result, there is to be no amalgamation this year, but the problem is being further studied, in the hope that a solution may be found.

### Surtax

The CHANCELLOR has outrun the most optimistic forecasts about surtax. Some recommended that earned income relief be extended to that tax; some that the minimum be raised from £2,000 to say £3,000. In the event, MR LLOYD has made both kinds of concession. Earned income relief is to be given and there is to be a further deduction in respect of earnings. The CHANCELLOR was impressed by the arguments that a minimum of £2,000 which was fixed as long ago as 1920 could not be right now, after the catastrophic fall in the value of money over the past forty years. The further deduction is expressed as '£2,000 or (if it is less) the excess of the earned income (less

the earned income relief) over £2,000'. The effect of these two changes is illustrated by the tables of specimen incomes which are set out on another page. It will be seen that an income of as much as £5,000, even of a single person, will not attract any surtax at all provided it is all earned. The calculation in such a case is as follows:

	£	£
Total income (all earned)	..	5,000
Less		
Earned income relief:		
2/9ths of £4,005 .. ..	890	
1/9th of £995 .. ..	111	
		<u>1,001</u>
		3,999
Maximum additional deduction for earnings .. ..		<u>2,000</u>
Balance, total income for surtax purposes		<u>£1,999</u>

Hitherto, on present rates, such a person has paid nearly £417 in surtax, on top of £1,275 in income tax. The concession is confined to earned income with a view to increasing incentive; investment income continues to pay at the old rates. Moreover, as it is a matter of incentive, the concession applies only to income assessed for income tax for 1961–62, the surtax on which is not payable until January 1963. 'It would be illogical', said the CHANCELLOR, 'to reduce what is already payable on past effort on the ground of giving an incentive to future effort.' But he must have been thinking only of taxpayers assessed under Schedule E, and therefore on the 'current year' basis. For the Schedule D taxpayer the concession operates in effect much earlier. A professional man who makes up his accounts to, say, April 30th each year, will receive the concession in respect of his earnings for the year ended April 30th, 1960, i.e. for income earned as long ago as May 1959, because that year will normally be his basis year for 1961–62.

The plea that many married women of the professional class would take up work again if only their earnings were not amalgamated with their husband's for surtax purposes has not moved the CHANCELLOR to terminate such amalgamation. However, as he points out, the area of disincentive is now much reduced.

### No Capital Gains Tax

It was generally feared or hoped (depending on one's point of view) that any reduction in surtax would be accompanied by a capital gains tax, even if it were only a token tax. The CHANCELLOR has clearly been impressed by the opinion of the majority of the Royal Commission and by the Inland Revenue, both of which bodies pointed out the complexities of any capital gains tax, the difficulty of administering it, and the highly problematical yield. In the result, the CHANCELLOR is not satisfied that a capital gains tax is worth while. He leans to the opinion of the Royal Commission majority, who would rather strengthen the powers of assessment of such gains as can fairly be said to be trading profits. As he said in his Budget speech, people who make a business of seeking capital gains on the Stock Exchange or in property or other deals, are in fact trading and are liable to the full rates of tax on the profits of such activities; those who are genuinely investing come into a different category. He proposed to look further, during the coming year, into this aspect of the matter. Perhaps the already strong line taken by the Revenue in the case of deals in real property will be extended to speculations in shares, although as we have previously stated, this may be a two-edged weapon. One solution would be to assess stock exchange gains but not to allow losses, but it is perhaps unlikely that any CHANCELLOR would take such drastic measures. Certainly a straightforward profits tax increase is more likely to produce revenue.

### Expenses and Income Tax

Last year, the deduction for National Insurance contributions for adult employees was increased to a flat rate of £15 with effect from April 6th this year. Under the new proposals there is to be a further increase of £3 for all adults, and £2 for juveniles. This takes account of the recent increases in contributions.

One of the more irritating aspects of income tax is the Revenue obsession about restricting deductions for expenses on the ground that there are 'home savings'. On this they were severely criticized by witnesses at open sessions of the Royal Commission, and the Commission itself recommended that the practice, which is of doubtful validity, should be stopped. MR LLOYD

has now decided that the restriction shall not normally be applied in future in respect of expenditure on accommodation and such ordinary items as food and drink; he has particularly in mind those people who go abroad in search of orders, but the change is to be general. The concession does not extend to holidays taken in the course of a business trip, and inquiries will continue to be made in order to exclude expenditure of that kind.

Another reform is that the Inland Revenue are to issue a leaflet setting out the rules they follow in dealing with expenses claims where tax is imposed on benefits in kind received by directors and senior employees. The new rules about 'home savings' will appear in the leaflet. At the same time, the return form which employers make of expense allowances and benefits will be made more searching in its questions. Capital allowances for private cars are to be restricted to £2,000 per car; less if there is private use.

The question of excessive expenditure on entertaining for business purposes (or allegedly business purposes) has engaged the CHANCELLOR's attention, but he does not propose any legislation on it this year. He thinks there is something in the allegations that some expenditure goes further than purely business motives would justify. He regards this as an unhealthy feature both on business and social grounds, although very difficult to deal with by legislation. However, after exhorting the business community seriously to consider whether the expenditure could be curtailed without reducing business efficiency, MR LLOYD said he would review the question of legislation next year. Here is a plain warning. The annual value of the use of a private car, which the Inland Revenue put in practice at 9 per cent of cost will be taken in future at 12½ per cent of cost. The value of the private use will be calculated accordingly.

In order to assist shipping companies in their forward planning, MR LLOYD has assured them that he sees no prospect of the present 40 per cent investment allowance on new ships being withdrawn or reduced during the life of the present Parliament.

### Double Tax Relief

There are to be three very important concessions in the field of double tax relief. It has been a



source of irritation to overseas Governments that when they give special tax reliefs to British firms, such as pioneer exemption, this is largely frustrated by the fact that the United Kingdom tax is correspondingly increased by an automatic reduction in the British double tax relief. The Finance Bill is to contain a clause providing that, in respect of overseas tax relief designed to assist industrial or commercial development, double taxation agreements may include a provision under which credit may be given to a United Kingdom resident in respect of tax that is treated by the overseas Government as though it had been paid. It will be seen that this does not apply to unilateral tax relief.

The second change is the curing of the anomaly which arises when a new business is set up (or deemed to be set up) and the first year's profit is reflected in the first three assessment years. It is now intended that, whatever may be the basis of United Kingdom assessment on the income of a new overseas business in its opening years, as each year's profit is charged to tax, the corresponding year's overseas tax shall be credited against the bill. A similar anomaly can arise in the case of dividends, as is illustrated by *Imperial Chemical Industries Ltd v. Caro* (38 A.T.C. 340), but the CHANCELLOR's speech did not refer to them, although paragraph 742 of the final report of the Royal Commission recommended relief for income assessed under Case IV and Case V, as well as Case I, of Schedule D.

The third change in the field of double tax relief stems from paragraph 701 of the Commission's final report. It introduces unilateral relief in respect of taxes corresponding to income tax or profits tax which are imposed by provincial or State Governments, or by local authorities, overseas.

### **Schedule E Income Tax**

The CHANCELLOR has not acceded to the many requests for the abolition of Schedule A tax on beneficial occupation, but he has made one concession which was long overdue. Most ministers of religion occupy their houses rent free but pay no income tax on them; not so, however, the beneficed Church of England clergyman, though the difference between him and other ministers of religion is more technical than real. The CHANCELLOR here again agrees

with the Royal Commission and he proposes to put into the Finance Bill a clause which provides that where any minister of religion by virtue of his office lives in a house which belongs to him as incumbent, or is owned by his church, he shall be treated for tax purposes as though he were a 'representative occupier' and not liable for the Schedule A tax.

As regards Schedule E proper, the CHANCELLOR intends to make it impossible in future to avoid tax by paying special remuneration and relating it to a year which is out of date for assessment. No doubt he is referring here to the loophole to which attention was drawn by the High Court decision in 1954 in *Heasman v. Jordan* (33 A.T.C. 324). Other changes in relation to Schedule E are dealt with above under 'Expenses and income tax'. There are to be some minor administrative changes as well.

### **Minor Income Tax Changes**

The Finance Bill is to contain a clause authorizing relief from tax on income payments by the German Government to victims of Nazi persecution. The relief is retrospective to 1956-57.

Certain income arising to pensions funds set up in the United Kingdom for overseas employees is to qualify for limited tax relief.

Industrial and provident societies are to be required to make returns for all members or depositors where the combined income from shares and deposits exceeds £15. Hitherto returns have had to be made of loan interest exceeding £5, but not of share interest.

In view of the higher National Insurance retirement pensions, the income limits for dependent relatives are to be increased by £20.

### **Payroll Tax and Customs and Excise**

Power is to be taken to impose on employers a tax not exceeding 4s a week for each employee. This is one of the two 'economic regulators' proposed by the CHANCELLOR, and will be collected with National Insurance contributions. The other economic regulator is the proposed power to increase or reduce a whole host of indirect taxes by 10 per cent either way; the power to be exercised by statutory instrument subject to affirmation by Parliament. This means that the total indirect taxation can be increased by £200 million or decreased by that amount, without an Act

having to be passed for the purpose. The idea is that consumption can be discouraged or encouraged according to the economic needs of the moment, whether by adjustments of the tobacco tax, purchase tax, customs duties, pool betting duty, or a combination of any of them.

Incidentally, the definition of pool betting is to be amended, presumably to reverse the decision of the High Court in *Commissioners of Customs and Excise v. Dodd* (*The Accountant*, December 17th, 1960, page 773). There, it was held that a sweepstake, which did not have any element of forecast, did not amount to betting for the purpose of duty. The Finance Bill is also to deal with certain proposals relating to pool betting duty which are under discussion with the Isle of Man Government.

Heavy oils which have been free from duty

since 1947 now pay a duty of 2d per gallon. Lubricating oils, previously charged 1d a gallon, now pay 3d per gallon. Heavy oils include kerosene or paraffin, and other fuel oil. This should give a fillip to the coal industry, but must be depressing to the air lines.

### Television Advertisements and Car Licences

There is to be a 10 per cent duty on the charges made by television programme contractors for the insertion of advertisements in programmes broadcast from May 1st. Motor vehicle duties were increased as from last Tuesday by approximately one-fifth. Thus the annual licence duty for a private car is up from £12 10s to £15. The complicated stamp duties on bills of exchange are to be replaced by a uniform charge of 2d.

## Budget Resolutions

Included in the Budget Resolutions passed by the Committee of Ways and Means last Monday were the following:

### 1. Television Advertisement Duty

That on advertisements inserted for payment in television programmes broadcast from stations in Great Britain after the end of April, nineteen hundred and sixty-one, there shall be charged a duty of excise, to be paid by the person providing the programme; and (subject to adjustment under any provision which the Act giving effect to this Resolution may make for the adjustment of liabilities for revenue duties) the duty payable in respect of any insertion of an advertisement in such a programme shall be of an amount equal to one-tenth of the amount or value of the consideration payable for the insertion to that person (inclusive of any amount allowed by him by way of agency discount or commission, but exclusive of any amount recoverable by him in respect of the duty).

### 4. Surcharges or Rebates in Respect of Revenue Duties

That it is expedient to provide for bringing into operation and withdrawing increases or decreases, not exceeding 10 per cent of amounts due for certain customs and excise duties and purchase tax or (when-ever duty or tax became due) for drawbacks or rebates thereof or allowances for goods chargeable thereto, and to make consequential provision as respects repayments and other matters, so, however, that this Resolution shall not authorize provision relating to part only of the field of operation of any one duty or rate of purchase tax.

### 5. Pool Betting Duty (Extension of Definition of Betting)

That for the purposes of the pool betting duty the

making of payments for the chance of winning any money or money's worth shall be treated as bets if the payments are made on terms under which the payors have a power of selection which may (directly or indirectly) determine the winner, notwithstanding that the power is not exercised, if they would be so treated had the power been exercised, and this Resolution shall apply whenever a payment was made, but only where the winner is determined by reference to an event occurring after the twenty-eighth day of April, nineteen hundred and sixty-one.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act, 1913.

### 8. Income Tax (Charge and Rates for 1961-62)

That income tax for the year 1961-62 shall be charged at the standard rate of seven shillings and ninepence in the pound, and, in the case of an individual whose total income exceeds two thousand pounds, shall be charged in respect of the excess at rates in the pound which respectively exceed the standard rate by the amounts by which the higher rates for the year 1960-61 exceed the standard rate for that year.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act, 1913.

### 9. Income Tax (Surtax Rates for 1960-61)

That income tax for the year 1960-61 shall be charged, in the case of an individual whose total income exceeded two thousand pounds, at the same higher rates in respect of the excess as were charged for the year 1959-60.

And it is hereby declared that it is expedient in the public interest that this Resolution should have

statutory effect under the provisions of the Provisional Collection of Taxes Act, 1913.

#### 10. Income Tax (Dependent Relatives)

That the amounts of two hundred and ten pounds and one hundred and thirty-five specified for the purposes of section two hundred and sixteen of the Income Tax Act, 1952, shall each be increased by twenty pounds.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act, 1913.

#### 11. Income Tax (Increase of Relief for National Insurance Contributions)

That the amounts specified in Part I of the Third Schedule to the Finance Act, 1960, other than the amounts of five pounds substituted by paragraph 2 of Part II of that Schedule, be increased as follows, that is, —

- (a) those specified in paragraphs 1, 3 and 5 by three pounds, and
- (b) those specified in paragraphs 2, 4 and 6 by two pounds,

but this Resolution shall not require any change in the amounts deducted or repaid under section one hundred and fifty-seven (pay as you earn) of the Income Tax Act, 1952, before the sixth day of July, nineteen hundred and sixty-one.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act, 1913.

#### 12. Income Tax (Double Taxation Relief)

That provision be made —

- (a) whereby, as respects past as well as future periods, foreign tax is to be treated for the purposes of sections three hundred and forty-seven and three hundred and fifty of the Income Tax Act, 1952, and the Sixteenth Schedule to that Act, as payable if it would have been payable but for certain reliefs under foreign law;
- (b) for allowing credit for foreign tax under Part XIII of the Income Tax Act, 1952, on any income in respect of which such credit was allowed in a previous year of assessment;
- (c) for repealing the provision whereby for the purposes of the said Part XIII foreign local taxes are treated as not corresponding to income tax or the profits tax.

#### 13. Income Tax (Ministers' Residences)

That in connection with exemption from tax under Schedule A for the official residence of a clergyman or minister of any religious denomination, it is expedient to modify the law relating to the taxing of rents and to maintenance reliefs.

#### 14. Income Tax (Capital Allowances, etc for Motor-cars)

That as respects vehicles of a type commonly used as private cars, provision be made for limiting capital allowances (with consequential amendments as to balancing allowances and charges), deductions from profits or gains or emoluments, and management expenses claims and maintenance claims.

#### 15. Income Tax (Assessments for Schedule E Emoluments)

That —

- (a) assessments to income tax (including additional assessments) made more than twelve months after the end of the year of assessment shall be made, as respects emoluments assessable under Schedule E, in accordance with the practice generally prevailing at the expiration of the twelve months, but without prejudice to any change of practice occurring before the sixth day of April, nineteen hundred and sixty-one;
- (b) it is expedient to extend the time for making and amending assessments (including additional assessments) to income tax in respect of such emoluments received in the year 1955-56 or any subsequent year, and to make consequential provision for the purposes of Chapter II (expenses allowances) of Part VI of the Income Tax Act, 1952.

#### 16. Income Tax (Returns of Interest payments by Industrial and Provident Societies)

That subsection (4) of section four hundred and forty-three of the Income Tax Act, 1952, be extended so as to cover share interest as well as loan interest.

#### 17. Employers' Surcharge

That provision be made for imposing and withdrawing surcharges on employers liable to pay flat-rate contributions under the National Insurance Acts or the corresponding enactments in Northern Ireland, so, however, that this Resolution shall not authorize a surcharge exceeding four shillings a week for each person for whom such a contribution is paid or the imposing of surcharges in respect of some, but not all, persons of any description relevant for determining the amount or aggregate amount of contributions payable under those Acts or enactments.

#### 18. Profits Tax (Increase of Rate)

That as from the beginning of April, nineteen hundred and sixty-one, the rate at which the profits tax is to be charged by virtue of subsection (1) of section twenty-five of the Finance Act, 1958, shall be increased from 12½ per cent to 15 per cent.

#### 19. Profits Tax (Charges Consequential on Income Tax Amendments)

That it is expedient to authorize any charge to the profits tax which may result from amendments of the law relating to allowances, deductions or charges for income tax purposes.

#### 21. Amendment of the Law

That it is expedient to amend the law with respect to the national debt and the public revenue and to make further provision in connection with finance, so, however, that this Resolution shall not extend to making amendments of the enactments relating to purchase tax so as to give relief from tax, other than amendments making the same provision for chargeable goods of whatever description or for all goods to which any of the several rates of tax at present applies.

# Income Tax and Surtax

## AMOUNT OF TAX AND EFFECTIVE RATE OF TAX PER POUND OF INCOME FOR SPECIMEN INCOMES

*These tables, adapted from those given in the FINANCIAL STATEMENT, show the tax payable after taking account of single personal or married and child allowances and the reliefs in respect of earned income. A taxpayer may, however, be entitled to further reliefs which would reduce the tax payable below the amounts shown in the tables.*

### (1) Single Persons

Income	Income all earned					
	Charge for 1960-61			Proposed charge for 1961-62		
	Income Tax and Surtax	Surtax element	Effective rate	Income Tax and Surtax	Surtax element	Effective rate
£	£ s d	£ s d	s d	£ s d	£ s d	s d
2,000	493 0 6	—	4 11	493 0 6	—	4 11
2,500	693 14 5	50 0 0	5 6½	643 14 5	—	5 2
3,000	906 18 4	112 10 0	6 0½	794 8 4	—	5 3½
4,000	1,383 6 1	287 10 0	6 11	1,095 16 1	—	5 5½
5,000	1,952 10 8	512 10 0	7 9½	1,440 0 8	—	5 9
6,000	2,571 19 7	787 10 0	8 7	1,883 0 5	98 10 10	6 3½
7,000	3,241 8 5	1,112 10 0	9 3	2,377 8 9	248 10 4	6 9½
8,000	3,910 17 4	1,437 10 0	9 9½	2,910 14 10	437 7 6	7 3½
9,000	4,630 6 3	1,812 10 0	10 3½	3,482 18 9	665 2 6	7 9
10,000	5,352 2 6	2,187 10 0	10 8½	4,098 7 6	933 15 0	8 2½
12,000	6,977 2 6	3,037 10 0	11 7½	5,545 17 6	1,606 5 0	9 3
15,000	9,564 12 6	4,462 10 0	12 9	7,905 17 6	2,803 15 0	10 6½
20,000	14,002 2 6	6,962 10 0	14 0	12,227 2 6	5,187 10 0	12 2½
25,000	18,439 12 6	9,462 10 0	14 9	16,664 12 6	7,687 10 0	13 4
30,000	22,877 2 6	11,962 10 0	15 3	21,102 2 6	10,187 10 0	14 1
40,000	31,752 2 6	16,962 10 0	15 10½	29,977 2 6	15,187 10 0	15 0
50,000	40,627 2 6	21,962 10 0	16 1	38,852 2 6	20,187 10 0	15 6½
100,000	85,002 2 6	46,962 10 0	17 0	83,227 2 6	45,187 10 0	16 7½

### (2) Married Couples without Children

Income	Income all earned					
	Charge for 1960-61			Proposed charge for 1961-62		
	Income Tax and Surtax	Surtax element	Effective rate	Income Tax and Surtax	Surtax element	Effective rate
£	£ s d	£ s d	s d	£ s d	£ s d	s d
2,000	454 5 6	—	4 6½	454 5 6	—	4 6½
2,500	644 19 5	40 0 0	5 2	604 19 5	—	4 10
3,000	855 13 4	100 0 0	5 8½	755 13 4	—	5 3
4,000	1,327 1 1	270 0 0	6 7½	1,057 1 1	—	5 3½
5,000	1,891 5 8	490 0 0	7 7	1,401 5 8	—	5 7½
6,000	2,505 14 7	760 0 0	8 4	1,831 15 5	86 0 10	6 1½
7,000	3,170 3 5	1,080 0 0	9 0½	2,321 3 9	231 0 4	6 7½
8,000	3,839 12 4	1,405 0 0	9 7	2,849 9 10	414 17 6	7 1½
9,000	4,554 1 3	1,775 0 0	10 1½	3,416 13 9	637 12 6	7 7
10,000	5,275 17 6	2,150 0 0	10 6½	4,027 2 6	901 5 0	8 0½
12,000	6,895 17 6	2,995 0 0	11 6	5,469 12 6	1,568 15 0	9 1½
15,000	9,478 7 6	4,415 0 0	12 7½	7,824 12 6	2,761 5 0	10 5
20,000	13,913 7 6	6,912 10 0	13 11	12,138 7 6	5,137 10 0	12 1½
25,000	18,350 17 6	9,412 10 0	14 8	16,575 17 6	7,637 10 0	13 3
30,000	22,788 7 6	11,912 10 0	15 2½	21,013 7 6	10,137 10 0	14 0
40,000	31,663 7 6	16,912 10 0	15 10	29,888 7 6	15,137 10 0	14 11½
50,000	40,538 7 6	21,912 10 0	16 2½	38,763 7 6	20,137 10 0	15 6
100,000	84,913 7 6	46,912 10 0	17 0	83,138 7 6	45,137 10 0	16 7½

### (3) Married Couples with One Child not over 11

Income	Income all earned					
	Charge for 1960-61			Proposed charge for 1961-62		
	Income Tax and Surtax	Surtax element	Effective rate	Income Tax and Surtax	Surtax element	Effective rate
£	£ s d	£ s d	s d	£ s d	£ s d	s d
2,000	415 10 6	—	4 2	415 10 6	—	4 2
2,500	596 4 5	30 0 0	4 9	566 4 5	—	4 6½
3,000	804 8 4	87 10 0	5 4½	716 18 4	—	4 9½
4,000	1,270 16 1	252 10 0	6 4	1,018 6 1	—	5 1
5,000	1,830 0 8	467 10 0	7 4	1,362 10 8	—	5 5½
6,000	2,439 9 7	732 10 0	8 1½	1,780 10 5	73 10 10	5 11
7,000	3,098 18 5	1,047 10 0	8 10	2,264 18 9	213 10 4	6 5½
8,000	3,768 7 4	1,372 10 0	9 5	2,788 4 10	392 7 6	6 11½
9,000	4,477 16 3	1,737 10 0	9 11½	3,350 8 9	610 2 6	7 5½
10,000	5,199 12 6	2,112 10 0	10 5	3,955 17 6	868 15 0	7 11
12,000	6,814 12 6	2,952 10 0	11 4½	5,393 7 6	1,531 5 0	9 0
15,000	9,392 2 6	4,367 10 0	12 6½	7,743 7 6	2,718 15 0	10 4
20,000	13,824 12 6	6,862 10 0	13 10	12,049 12 6	5,087 10 0	12 0½
25,000	18,262 2 6	9,362 10 0	14 7½	16,487 2 6	7,587 10 0	13 2½
30,000	22,699 12 6	11,862 10 0	15 1½	20,924 12 6	10,087 10 0	13 11½
40,000	31,574 12 6	16,862 10 0	15 9½	29,799 12 6	15,087 10 0	14 11
50,000	40,449 12 6	21,862 10 0	16 2	38,674 12 6	20,087 10 0	15 5½
100,000	84,824 12 6	46,862 10 0	16 11½	83,049 12 6	45,087 10 0	16 7½

### (4) Married Couples with Two Children both not over 11

Income	Income all earned					
	Charge for 1960-61			Proposed charge for 1961-62		
	Income Tax and Surtax	Surtax element	Effective rate	Income Tax and Surtax	Surtax element	Effective rate
£	£ s d	£ s d	s d	£ s d	£ s d	s d
2,000	376 15 6	—	3 9	376 15 6	—	3 9
2,500	547 9 5	20 0 0	4 4½	527 9 5	—	4 2½
3,000	753 3 4	75 0 0	5 0½	678 3 4	—	4 6½
4,000	1,214 11 1	235 0 0	6 1	979 11 1	—	4 11
5,000	1,768 15 8	445 0 0	7 1	1,323 15 8	—	5 3½
6,000	2,373 4 7	705 0 0	7 11	1,729 5 5	61 0 10	5 9
7,000	3,027 13 5	1,015 0 0	8 8	2,208 13 9	196 0 4	6 3½
8,000	3,697 2 4	1,340 0 0	9 3	2,726 19 10	369 17 6	6 10
9,000	4,401 11 3	1,700 0 0	9 9½	3,284 3 9	582 12 6	7 3½
10,000	5,123 7 6	2,075 0 0	10 3	3,884 12 6	836 5 0	7 9
12,000	6,733 7 6	2,910 0 0	11 2½	5,317 2 6	1,493 15 0	8 10½
15,000	9,305 17 6	4,320 0 0	12 5	7,662 2 6	2,676 5 0	10 2½
20,000	13,755 17 6	6,812 10 0	13 9	11,960 17 6	5,037 10 0	11 11½
25,000	18,173 7 6	9,312 10 0	14 6½	16,398 7 6	7,537 10 0	13 1½
30,000	22,610 17 6	11,812 10 0	15 1	20,835 17 6	10,037 10 0	13 10½
40,000	31,485 17 6	16,812 10 0	15 9	29,710 17 6	15,037 10 0	14 10½
50,000	40,360 17 6	21,812 10 0	16 1½	38,585 17 6	20,037 10 0	15 5
100,000	84,735 17 6	46,812 10 0	16 11½	82,960 17 6	45,037 10 0	16 7

### (5) Married Couples with Three Children, Two not over 11 and one over 11 but not over 16

Income	Income all earned					
	Charge for 1960-61			Proposed charge for 1961-62		
	Income Tax and Surtax	Surtax element	Effective rate	Income Tax and Surtax	Surtax element	Effective rate
£	£ s d	£ s d	s d	£ s d	£ s d	s d
2,000	328 6 9	—	3 3½	328 6 9	—	3 3½
2,500	486 10 8	7 10 0	3 10½	479 0 8	—	3 10
3,000	689 2 1	59 7 6	4 7	629 14 7	—	4 2½
4,000	1,144 4 10	213 2 6	5 8½	931 2 4	—	4 8
5,000	1,692 4 5	416 17 6	6 9	1,275 6 11	—	5 1
6,000	2,290 8 4	670 12 6	7 7½	1,666 2 6	46 6 8	5 6½
7,000	2,938 12 2	974 7 6	8 5	2,138 7 6	174 2 10	6 1½
8,000	3,608 1 1	1,299 7 6	9 0	2,650 8 7	341 15 0	6 7½
9,000	4,306 5 0	1,653 2 6	9 7	3,201 7 6	548 5 0	7 1½
10,000	5,028 1 3	2,028 2 6	10 0½	3,795 11 3	795 12 6	7 7
12,000	6,631 16 3	2,856 17 6	11 0½	5,221 16 3	1,446 17 6	8 8½
15,000	9,198 1 3	4,260 12 6	12 3	7,560 11 3	2,623 2 6	10 1
20,000	13,624 18 9	6,750 0 0	13 7½	11,849 18 9	4,975 0 0	11 10
25,000	18,062 8 9	9,250 0 0	14 5½	16,287 8 9	7,475 0 0	13 0½
30,000	22,499 18 9	11,750 0 0	15 0	20,724 18 9	9,975 0 0	13 10
40,000	31,374 18 9	16,750 0 0	15 8	29,599 18 9	14,975 0 0	14 9½
50,000	40,249 18 9	21,750 0 0	16 1	38,474 18 9	19,975 0 0	15 4½
100,000	84,624 18 9	46,750 0 0	16 11	82,849 18 9	44,975 0 0	16 7

## An Impressive Report

THE report of the Council of The Institute of Chartered Accountants in England and Wales grows more impressive each year and that for 1960 – reproduced elsewhere in this issue – is no exception. During the period under review, the membership increased by 1,288 to the record total of 33,867. Of these, 4,192 were ‘not in England and Wales’. The ‘residents’, numbering 29,675, comprised 10,183 members in practice and 19,492 members employed in professional offices or by industrial, commercial and financial undertakings or retired. It is satisfactory to note that the membership strength looks like being well maintained, the number of articles of clerkship registered during the year being 2,992 or 312 more than in 1959. If the resolution for the necessary alterations to the constitution of the Institute are approved at the special meeting to be held on May 3rd, members in practice in Scotland and in Northern Ireland will be able for the first time to offer service under articles to suitable clerks.

The examination results continue to be most consistent. To the percentage passes in the Intermediate examination for the five years to 1959 of 49, 49, 49, 47 and 47 falls to be added 46 for 1960 and to the corresponding string of 47, 42, 46, 49 and 47 for the Final examination, 48 for last year. The last ever Final examination of The Society of Incorporated Accountants will be held in November of this year.

Another indication of how near the Society's affairs and activities are to being finally dissolved is to be found in the Institute's accounts where receipts of £8,020 represent substantially the remaining assets which had to be transferred. The income of the Institute from all sources in 1960 reached a record sum of £275,382 which was £17,089 more than the 1959 total. This accretion, however, was more than offset by increases in outgoings, the principal being in rent and rates (£18,468), and administration expenses (£5,765) and by the provision of £10,000 (nil in 1959) for future expenditure on the *Members' Handbook*. Nevertheless, the substantial surplus of £24,729 was added to the Accumulated Fund which, with the receipts from the Society of £8,020 less

payments therefrom of £6,163 (principally *ex gratia* payments to former employees of the Society on leaving the service of the Institute) gave a final and impressive total of £301,547.

The Council proposes to set aside another £10,000 in each of the years 1961 and 1962 towards the cost of completion of the *Members' Handbook*. This definitive dossier continues to grow and in 1960 the principal addition was the new recommendation (No. 22) entitled *Treatment of Stock-in-trade and Work in Progress in Financial Accounts*. These second thoughts (which replaced No. 10, issued in June 1955) dealt much more fully with the treatment of the degree of overhead expenditure to be included in stock values and suggested that the phrase ‘market value’ should be replaced by one of two or three more explicit alternatives. Another document of outstanding importance issued by the Council in 1960 was the memorandum prepared for submission to the Company Law Committee now considering the possibility of company law reform. This was followed by a supplementary memorandum in February of this year and, in the following month, three members of the Institute gave oral evidence. The observations of the Council, which covered the subject exhaustively, created interest far beyond the confines of the profession.

During the year, the usual round of social events, among them district society dinners and visits by the President and others to the functions of friendly professional bodies both at home and abroad, was splendidly supplemented by the banquet in the City of London's historic Guildhall in October to mark the eightieth anniversary of the grant of the Royal Charter. In proposing the toast of the Institute, THE LORD CHIEF JUSTICE OF ENGLAND spoke warmly of how the tradition of service offered by its members had become essential to the community as a whole. Bordering on the classification of social events but with an essentially serious background, is the annual summer course, the fourteenth of which was held in September at Christ Church and Pembroke College, Oxford. In the current year Cambridge will ‘share the load’ with Oxford, the Christ

Church course in July being followed by another in September at Gonville and Caius College.

Always watchful of matters and events which concern the integrity of the profession and the liberty of its members, the Council in 1960 contacted two banks advertising taxation services to all and sundry and, in both instances, was successful in having the notice modified or withdrawn. Such action by the Council is not uncommon but a more unusual type of intervention was the protest to the British Broadcasting Corporation last October about a Home Service feature giving a misleading impression about the work of chartered accountants. The subsequent broadcast, undertaken by two members of the Council at the invitation of the B.B.C., did much to cancel out the unfortunate impression created by the original programme.

Proof of the growing volume and variety of work undertaken by the Institute is readily to be found in a comparison of the numbers of committee and sub-committee meetings held year by year. In 1960 these totalled 218 as compared with 181 in 1959. In October, the Non-Practising Members Consultative Committee became the Consultative Committee of Members in Commerce and Industry and, in the following month, a new standing committee entitled the Public

Relations Committee was established to replace the Public Relations Sub-Committee of the General Purposes Committee. Both of these are much more than changes in name or status. They indicate the awareness of the Council to the development of the profession in new directions and the importance of keeping the public responsibly informed of the nature and extent of the work of accountants.

So, too, do the fifty-seven closely printed pages of the appendix to the Council's report containing, among other items, official statements issued and memoranda of evidence submitted. We have not reproduced the appendix as much of the material has previously appeared in these pages but we welcome the opportunity to reproduce the report and accounts – even although many of our readers as members of the Institute will presumably be already familiar with their contents – for two main reasons. One is that technically, they are shining examples of how the activities of a professional body should be recorded and presented, and the other is that the influence and responsibility of the Institute extend beyond even the large circle of its members to the profession as a whole. It is fitting, therefore, that the Council's account of its stewardship for 1960 should have a world-wide circulation.

# Variances from Standard Production Cost

## I—MATERIALS VARIANCES

by R. G. H. NELSON, F.C.A., F.C.W.A.

*The subject of standard costing and the analysis of variances (or variations as they are still termed by some American writers) has been given increasing attention in recent publications on cost accountancy; but there are differences both in terminology and in the completeness with which the subject is covered, so that it seems useful to attempt a comprehensive tabulation of those cost variances which are at present in common use. This will be done in a series of four charts of which the first, published this week, deals with materials variances. The chart is intended to be self-explanatory. The following notes discuss certain specific problems associated with variance calculations.*

### 1. Direct and Indirect Materials

THE formulae given are applicable primarily to direct materials. The general price and usage variance formulae could be adapted for indirect materials using appropriate bases in each case for the establishment of usage standards.

The advantages of setting detailed standards

for indirect materials (and for overhead expense generally) are:

- (a) Even a carefully flexed overheads budget can only give indications of target expenditure for broad categories of expense. As a basis for control, this is not so satisfactory as detailed standards for individual items.
- (b) The distinction between direct costs and overheads is one of accounting convenience in

product costing, and should not influence the method of cost control so as to prevent the use of detailed overhead standards.

- (c) The present tendency is for overheads to form an increasing part of total cost so that effective control is most desirable.

There is a practical argument against using detailed standards in that it would seldom be economically justifiable to extract variances from the multitude of separate items making up total overhead. In many cases individual items of overhead expense are insignificant in relation to total cost.

Even though for control purposes detailed standards may be set, this does not necessarily involve carrying such standards through the costing system.

Two of the advantages of standard costing are:

- (i) speed of presentation of period results;
- (ii) simplified inventory accounting.

These advantages are already obtained by the use of predetermined overhead recovery rates, so that the extension of standard costing to overheads is unnecessary.

## 2. 'On-line' Storage

When goods are not received into a closed store, but are fed directly on to the production line, there will normally be no record of 'usage'. The standard material content of completed units coming off the end of the line will be known; and it may be possible to calculate the standard content of piece parts held in an intermediate store.

The standard value of spoilage and rejects can also be calculated to the extent that inspection reports are available. The general balance of work in progress will then include wastage and miscellaneous losses which will be revealed only at the time of physical inventory.

Since purchasing must be based on production schedules however, it is obvious that unrecorded losses cannot reach significant proportions without causing a line stoppage, thus bringing the matter to light. Material price variances must obviously be extracted at the time of receipt or ordering.

## 3. Material Price Variance

As indicated on the chart, material price variances may be extracted either at the time of ordering or on receipt, or on issue of the goods.

The reporting of variances at the time of placing purchase orders has the obvious advantage of

providing early control information for management, one of the main objectives of variance analysis. It has the disadvantages:

- (a) that a final price may not be known at the time of placing an order; and
- (b) that if the variances are to be recorded as part of a standard costing system the book-keeping entries would be cumbersome.

At the time of placing the order one would have the entry:

Goods on order	Dr.
Variance	

To Purchase suspense account

At the time the goods were received the entries to 'Goods on order' and 'Purchase suspense' would have to be reversed, and the normal purchase or stores account debited at standard cost.

The extraction of price variance at the time of receipt overcomes the above disadvantages. Cost control is exercised at the earliest date one can be sure of knowing the final price; and the book-keeping is at its simplest because from then onwards all stores transactions are recorded at standard cost.

Even under this method, however, there are the following possible disadvantages (which would apply equally to the method of extracting variances on purchase orders):

- (i) Stores balances will be recorded at standard cost whereas they may have to be reported at actual cost on year-end and possibly interim balance sheets. The validity of this objection depends on whether the standards set are realistic so that standard cost may be taken as a reasonable approximation to actual cost; and on how easy it would be to convert standard to actual cost by a pro-ratio of variances should the need arise.
- (ii) The figure of price variance, unlike those of material usage variance and of labour variances, will not normally relate to the production quantities of the month or other period of review.
- (iii) In consequence of the above the establishment of 'actual' product costs by the application of variance ratios to standard product cost may give misleading results unless a very detailed analysis of variances is available.

These further disadvantages can be overcome by extracting price variances at the time of the issue of materials to production. At this stage, however, any value of the variance analysis for cost control has been lost, and one is left with merely the advantage of simplified book-keeping and perhaps an increased facility for arriving at



(Standard quantity by Standard price) *minus* (Actual quantity by Actual price)

This formula is valid only if price variance is measured on issues.

PRICE	USAGE	
<p><b>MATERIAL PRICE VARIANCE</b> Actual quantity by (Standard price <i>minus</i> Actual price) May be quantity ordered received, or issued</p>	<p><b>MATERIAL USAGE VARIANCE</b> (Standard quantity* for achieved production <i>minus</i> Actual quantity used) * including any allowances for (a) wastage (b) spoilage/rejects</p>	
<p><b>SUB-ANALYSIS OF VARIANCES</b> (memorandum or in accounts)</p> <p>(a) <i>by responsibility</i>. The department or cost centre responsible for each variance may be identified.</p> <p>(b) <i>by cause</i>. Material price variance may be due to e.g. change in SOURCE OF SUPPLY (or mix of sources) or change in GENERAL PRICE LEVEL. All material variances may be affected by change in SPECIFICATION or SUBSTITUTION of alternative materials (perhaps resulting from RE-DESIGN or METHODS CHANGE). Still using the formulae given, standard quantity and price will relate to the original condition; actual quantity and price will relate to the new condition. For example: <i>Specification variance</i> Material price: Actual quantity by (Standard price old specification <i>minus</i> Actual price new specification) Material usage: (Standard quantity old specification <i>minus</i> Actual quantity new specification) by Standard price old specification</p>	<p><b>CONVERSION EFFICIENCY</b></p> <p><b>MATERIAL EFFICIENCY (USAGE) VARIANCE</b> (Standard quantity in achieved production <i>plus</i> wastage allowance <i>minus</i> Actual quantity in achieved production <i>plus</i> actual wastage) by Standard price Variance may be offset by recoveries on waste scrap</p> <p><b>MATERIAL INPUT VARIANCE</b> (Standard input for actual production <i>minus</i> Actual input for actual production) by Standard price Where a mixture of materials is used, the following variances may be calculated for each material:</p> <p><b>MIXTURE VARIANCE</b> (Standard share of actual total usage <i>minus</i> Actual share of actual total usage) by Standard price</p> <p><b>MATERIAL YIELD VARIANCE</b> (Standard quantity loss <i>minus</i> Actual quantity loss) by average standard input price There are a number of alternative formulae for this variance.</p> <p><b>EXCESS USAGE VARIANCE</b> (Standard share of standard total usage for actual production <i>minus</i> Standard share of actual total usage) by Standard price</p>	<p><b>LOSS</b></p> <p><b>SPOILAGE/REJECT VARIANCE</b> (Spoilage/reject allowance quantity <i>minus</i> Quantity spoiled or rejected) by Standard price OR Spoilage allowance (value) <i>minus</i> (Quantity spoiled by Standard price) Variance may be offset by recoveries on spoilage scrap</p> <p><b>HANDLING LOSS and STORAGE LOSS</b> will normally arise outside the Usage Variance. They will be written off at standard or actual cost according to the method of accounting, and may be compared with any available standards.</p>

- (a) *Buy instead of make.* Actual quantity by (NIL minus actual price). If this variance is calculated at the stage of ordering or receiving, subsequent usage would be treated as 'free issue'.
- (b) *Make instead of buy.* (Original standard quantity of usage minus NIL) by original standard price.

#### REVISION VARIANCES

All the above variances are *prima facie* CONTROLLABLE.

At times there will be changes of circumstances not sufficient to justify a change of accounting standards, which will place part of the accounting variance beyond control.

Under such circumstances a new 'control standard' or 'current standard' may be set up, and the total accounting variance be divided between:

- (a) a controllable variance measured from the control standard;
- (b) a revision variance, being the difference between the accounting (or 'BASIC') standard and the control (or revised) standard.

#### EXAMPLES OF REVISION VARIANCES

##### *Specification change.*

Revision variance = Actual quantity by (standard price old specification minus standard control price new specification).  
 Price variance = Actual quantity by (standard control price new specification minus actual price).  
 Usage variance = (Standard quantity old specification minus actual quantity new specification) by standard price old specification.

##### *Buy instead of make.*

Revision variance = Actual quantity by (NIL minus standard control price).  
 Price variance = Actual quantity by (Standard control price minus actual price).  
 Usage variance = (Standard control quantity minus actual quantity) by standard control price.

actual product costs, which is certainly not a main objective in establishing a standard cost system! Even under this method, although stores balances will be recorded at actual cost, the value of work in progress will be at standard cost and so subject to the same difficulties of balance sheet valuation as were mentioned above.

#### 4. Scrap

Although the normal textbook treatment of scrap is fundamentally correct, the terms used are frequently undefined, and the word 'scrap' can be used in a variety of meanings so that the student particularly is left in some confusion on the subject.

'Scrap' is essentially a physical fact. It is material rendered unusable for the purpose originally intended. It may, or may not, have a value for some other purpose. 'Scrap', therefore, is the *result* of some detrimental happening. It is not of itself the *cause* of loss.

It is the causes of 'scrap' which are properly the subject of variance analysis and are so shown on the chart. These causes will include the following:

##### (a) *Spoilage*

The process of creating defective work, due to some fault by the workman, or in the machine or material with which he is working, or in the planning of the operation.

##### (b) *Waste*

The process of discarding or losing material in the course of the normal process of manufacture.

In a machining operation waste will be the effect of producing parts from raw materials of standard size or gauge; and the resulting scrap will consist of trimmings, off-cuts, bar ends, etc. This is often termed inherent or normal scrap and is commonly allowed for in setting material usage standards.

##### (c) *Deterioration*

Loss or damage due principally to the lapse of time or to climatic factors, and including evaporation, windage, shrinkage, rust, etc.

##### (d) *Breakage*

The damage of material in storage or during stock handling.

##### (e) *Obsolescence*

The term 'deterioration' is sometimes used as including obsolescence and the term 'waste' is very frequently used to cover any cause of loss other than spoilage. It would be a great contribution to correct accountancy if a precise common terminology could be established.

# International Congress, 1962

## TECHNICAL PROGRAMME

**O**UTLINE details of the arrangements for the Eighth International Congress of Accountants to be held in New York from September 23rd to 27th, 1962, were contained in our issue of January 7th last. The theme of the conference will be 'Auditing and financial reporting in the world economy' and the American Institute of Certified Public Accountants, the organizing body, has now announced details of the technical programme.

Speakers will address themselves to the proposition that: 'The world economy is dependent on the flow of capital, international trade, and management skilled in the organization of personnel and use of tools to produce goods and services wanted by the people. The flow of capital is stimulated by the opportunity for profit and confidence in the political and economic stability of the countries comprising the free world'.

Each speaker will show how accountants can contribute to improvement of the world economy—either through facilitating the flow of capital and trade, or improving management efficiency in the production of goods and services.

**Accounting and the world economy** will be discussed in terms of the postulates and objectives underlying accounting principles and the purposes of accounting in the economy. Influences exerted on accounting by Government laws and regulations and by fluctuations in the purchasing power of the monetary unit will be considered. Proposals will be suggested for the development of a broad forum to further understanding and acceptance of needed

changes in accounting principles on a national and on an international basis.

**A discussion of auditing and the world economy** will deal with the responsibilities of the internal auditor, the independent accountant, and the relationship of their activities to each other. Speakers will give their views on whether or not wide variations in auditing standards throughout the world affect the international flow of private investment capital. They will also consider the independent auditor's contribution to an understanding of changes that have taken place in the free enterprise system over the past fifty years. The growth of broad services by management to customers, employees, and investors, as well as an awareness by the 'common man' of his stake in competitive enterprise, will also be reviewed.

**Financial reporting and the world economy**, the third major topic, will cover the usefulness of financial reports to the various consumers for which the reports are prepared. Standards of disclosure and the nature of outside influences on financial reporting will be considered.

Principal speakers at the opening plenary session will give broad treatment to the three major topics. This session will be followed by approximately ten simultaneous sessions, each with three speakers who will develop these basic topics in greater depth.

To bring everyone into the general discussion, there will be between fifty and a hundred smaller informal discussion groups, each limited to about twenty-five participants.

## Weekly Notes

### Chartered Secretaries' Examinations

**T**HE new examination structure to be adopted by The Chartered Institute of Secretaries and referred to in *The Accountant* of December 17th, 1960, was the subject of a Press conference held by the Institute on Wednesday of last week.

The President of the Institute, Mr Stuart M. Rix, F.C.A., F.C.I.S., said that the new structure was designed to keep pace with the changing status and functions of the chartered secretary.

Today, the company secretary was in a minority in the membership of the Institute, he said, and the syllabus had to reflect the Institute's aim to train the general administrator in the public and private

sectors of industry, and in the public service.

'The Institute is also very conscious of the problems confronting students and teachers', said Mr Rix. 'The school-leaver or arts graduate contemplating an office career is faced by a bewildering array of courses of study, and too often he is persuaded to decide too soon on the course he will follow.'

The Preliminary examination is to be discontinued, exemption being gained with the G.C.E. in suitable subjects or its equivalent. The new Intermediate examination will no longer include specialist subjects, and graduates, holders of certain professional qualifications and the student with the Ordinary National Certificate in Business Studies with suitable credits will be exempt. The specialist subjects will now be reserved for the new Final examination, of nine subjects in three parts.

Optional papers are to be provided in the Final examination to cater for the wide variety of careers which members of the Institute follow. The new regulations come into force in 1962.

### More Help for Exporters

THREE important developments were announced by the President of the Board of Trade last week in the services offered by the Exports Credits Guarantee Department. First, premium rates for E.C.G.D. insurance are being reduced, a benefit which will be felt mainly in export markets where the high rates obtain at present. Second, E.C.G.D. is introducing a new system of guaranteed loans for periods over five years made by financial institutions in the City. The object of this is to encourage financial institutions to provide overseas buyers of British exports with loans to enable them to finance their purchases. Lazard Bros, the well-known merchant bankers, announced last week that they had formed a consortium of twenty-eight insurance companies to provide £11.5 million of long-term export finance under this new arrangement.

Finally, E.C.G.D. has put out what it calls a simplified 'small exporter' scheme. This will give a guarantee from the beginning of next month to firms whose export turnover has been less than £10,000 a year in recent years. It will provide 90 per cent cover on all export business for a flat rate premium of 15s per £100 insured.

### National Income in 1960

THE White Paper dealing with the *Preliminary Estimates of National Income and Expenditure 1955 to 1960* was published last week.<sup>1</sup> The figures do not contain any surprises. The gross domestic product (that is, the money value of the goods and services produced inside the country) increased by 6 per cent last year compared with 1959 and this was 2½ per cent more than in the previous year. Net investment income from abroad had fallen a little since 1959 however, so the gross national product (representing the money value of all goods and services becoming available to the nation from its total economic effort) showed a slightly smaller increase. Between 1959 and 1960 the increase was about 5¾ per cent compared with an increase of less than 3½ per cent between 1958 and 1959.

In 1960 gross domestic fixed investment increased by over 9 per cent compared with 5 per cent in the year before, while the investment in stocks rose very steeply from £163 million in 1959 to £600 million in 1960. Consumers' expenditure rose by nearly 4½ per cent, about the same rate as the year before, while exports and imports increased; but the rise in imports was nearly 13 per cent, while that for exports only 6 per cent. Thus the overall figures of the national income corroborate the general trend of economic statistics on expenditure and investment which have been released over the last few months.

A feature of the White Paper this year is the inclusion of three new tables which give additional information on consumers' expenditure (Table 9), investment in stocks (Table 10) and fixed capital formation (Table 11).

<sup>1</sup> Cmnd. 1333. H.M.S.O. Price 1s 3d.

### Government Financing by Borrowing

LAST November the Chancellor of the Exchequer said that a White Paper would be published in due course setting out how the investment of the nationalized industries is financed. The White Paper, entitled *Government Expenditure Below the Line*<sup>2</sup>, now available, gives this information along with other below the line transactions.

The White Paper covers loans to nationalized industries, to local authorities and to other public bodies, also to private industry and overseas assistance. Figures are given for 1958-59 to 1961-62 with forecasts for 1961-62. Details of assistance to private industry above the line, that is, assistance charged against current revenue, is published in the Estimates for the Civil and Revenue Departments which are made available on Budget day and this procedure will continue. In the last few years a White Paper setting out the capital investments in the coal, electricity and gas industries has been published at Budget time. The new White Paper will replace this from now on.

In 1961-62 gross Exchequer payments below the line are expected to be £1,089 million compared with £969 million in the year before. Net borrowing by nationalized industries is expected to fall from £416 million to £385 million mainly due to a decline in the varying requirements of the British Transport Commission. These figures, however, do not include advances by way of loans or grants in the years 1960-61 and 1961-62 to meet the British Transport Commission's current deficits. Another important borrower in the new fiscal year will be Richard Thomas & Baldwins Ltd, who are expected to require £88 million this year for the new strip mill at Newport. Other important borrowers are colonial Governments receiving loans for overseas assistance. Total Government assistance to private industry above and below the line, most of which is borne on votes, is expected to increase this year from £374 million to £401 million.

### Life Assurance Record

NEW net savings through life assurance reached the record level in 1960 of £490 million compared with £423 million in 1959. This figure, issued jointly by the Life Offices' Association, the Associated Scottish Life Offices and the Industrial Life Offices Association last week represents the net increase in the policyholders' funds during the year. It is the result of deducting all payments made in the year from the income of the funds.

Ordinary life business transacted overseas by United Kingdom companies accounted for approximately £41 million as compared with £36 million in 1959.

Factors contributing to the rise were diverse. Increased new business, including pension scheme business, resulted in a rapidly-growing premium

<sup>2</sup> Cmnd. 1338. Price 1s 6d.

income, while the more favourable stock-market conditions resulted in providing higher earnings on investments. These earnings, together with an improved claims experience have made it possible for higher bonuses to be paid out to policyholders.

### Bids and Mergers

IN recent months there has been a decrease in the number of spectacular take-over bids – the type which receive most publicity. There seems to be little evidence, however, that the acquisition of one public company by another and, particularly, the acquisition of private companies by public companies, was decreasing to any extent. It has been apparent for some time that the more spectacular type of take-over bid, often based on the delayed rise in property values and dividend distributions, was bound sooner or later to come to an end. There has, of course, been continuing activity in the changing control of companies and the number of mergers, that is marriages of convenience between companies, has seemed to be increasing.

*The Financial Times* has now decided to issue periodically a list of successful bids and mergers and the first of these was made available recently. It shows that the value of bids and mergers in the first quarter of 1961 was £427 million compared with £618 million for the whole of 1960. The figures thus show a very large increase in activity in the first quarter of this year. It is true that the Ford bid alone accounted for £130 million but even when this figure is allowed for in the total for the first quarter of 1961, the rate of activity over those three months still remains very high. In that quarter there were 124 bids, the industries most affected being engineering, distribution, property and miscellaneous groups.

In a compilation of this kind certain fairly rough-and-ready definitions have to be set out, but provided these are made quite clear and the basis of compilation remains constant, the new service should provide an exceedingly valuable indication of the trend of financial activity in this field.

### Textile Finishing Scheme

AT least one leading industrialist in the finishing section of the cotton textile industry has publicly remarked that the response to the scheme for scrapping redundant finishing plant in the cotton textile industry has not been as enthusiastic as in the earlier schemes. These covered the spinning, doubling and weaving sections where there was a large surplus of capacity and, in the case of the weaving section, an absence of any concerted effort to keep prices at a remunerative level. The finishing side of the industry has for a long time been highly organized and price fixing arrangements existed on the printing side before the Monopolies Commission reported on the industry. This section of the cotton industry has had

a problem of over-capacity but not any great need to modernize its equipment. The problem in arranging a scheme for the finishing end, which covers bleaching as well as printing, has been to find a recognizable unit (such as a spindle in spinning and a loom in weaving) which can be identified as a common and recognizable item of equipment.

It may be, as has been hinted, that the fulfilment of the Government's minimum requirements of scrapping to make the scheme come into operation have not been notably exceeded – as they were in other sections of the industry. Nevertheless, the level has been reached which brings into operation Section 2 of the Cotton Industry Act, 1959, covering grants for re-equipment. These are normally at the rate of 25 per cent of eligible expenditure and the Board of Trade has now formally announced that Section 2 is operative.

Whereas the spinning and weaving sections are now anxiously concerned with obtaining the renewal of the agreement with Hong Kong (which carries with it similar agreements with India and Pakistan) to limit imports of grey cloth into Britain, the finishing end is concerned mainly to adjust its designs and techniques to meet modern fashion requirements. This is a big enough problem but it is slightly less urgent than the Hong Kong problem for the other sections of the industry.

### Trade of the Republic of Ireland

EXPORTS from the Republic of Ireland (including re-exports) reached a record total of £152.4 million in 1960 compared with £130.7 million in 1959. Imports also reached a record figure but the rise from £212.6 million in 1959 to £226.4 million in 1960 was less than the increase in exports with the result that the adverse balance fell from £81.9 million to £74.0 million.

In spite of two years of stagnation in 1958 and 1959, total exports have risen by over 40 per cent between 1956 and 1960. This has resulted from a doubling of exports of 'other raw materials and manufactured goods' from £21.9 million in 1956 to £43.6 million in 1960 and a rise from £32.2 million to £51.2 million in exports of food, drink and tobacco, while exports of live animals have shown little change, amounting to £45.4 million in 1956 and £44.8 million in 1960. The Irish economy has thus become very much more broadly based in the last four years.

In the category 'other raw materials and manufactured goods', the most important item is textiles (excluding clothing) which at £10.6 million accounted for nearly one-quarter of the total. About half the exports of textiles consist of sheeps' and lambs' wool. Next come oils, fats, fertilizers, chemicals, colours and perfumery valued at £5.0 million, of which £3.8 million represents petroleum products supplied mainly to Great Britain. Clothing and footwear exports totalled £5.0 million, the principal component being women's and girl's outerwear valued at

£1.7 million and women's and girl's shoes valued at £1.1 million. Ores and metals at £4.4 million include copper ore and concentrates valued at £1.1 million, reflecting the recent revival of copper mining in Ireland. The category 'cutlery, hardware, implements and machinery' valued at £3.6 million includes sewing machines to the value of £1.3 million.

Besides diversification of products, diversification of markets has been an important aim of the Irish Government in recent years. This has achieved some success but in 1960 nearly half the total exports still went to Great Britain. Exports to E.E.C. countries had, however, risen to 13.0 per cent and those to dollar countries to 10.9 per cent.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 73

THE sales manager and I recently had a trip to Town together on business, and before catching our train home we went into a big hotel for dinner. Who should be sitting in the lounge but our managing director, looking unutterably depressed, and a pretty seventeen-year-old girl, looking even bluer. He invited us to have dinner with them, and the story came out.

She was his only daughter – the apple of his eye – going off that evening to Spain for a year's schooling. His imminent loneliness was making her homesick in advance, and the conversation was distinctly laboured. I felt that the ice was thin and a *faux pas* was inevitable; I picked my remarks gingerly.

Not so the sales manager. His natural reaction to thin ice is to put his foot in it promptly; he summed up the delicacy of the mournful situation and he used a sledgehammer on it. 'To my mind', he opened up cheerfully, 'a wumman's place is in the hame, and in the kitchen, forbye. Ye're a gey lucky lassie to be let awa' on your ain.' The managing director looked as if he'd been hit suddenly in the solar plexus, but the apple of his eye reacted to the challenge with a glint in her own. She rested her chin on her hand and asked sweetly what had happened to those decayed old Caledonian fossils that had been dug up in the City not long ago. Battle was well and truly joined.

\* \* \* \*

It was a marvellous dinner. My favourite boiled salmon followed by roast duck, even though sauced unfortunately by the M.D.'s cross-examination on the exchange rate for francs and pesetas, and my inability to convert guilders into dollars at short notice. Beside us, Apple and the sales manager were enjoying themselves hugely. His admonition about going down on her knees to thank Heaven, fasting, for a good man's love, was countered by her assertion that his will doubtless contained a proviso that his widow was to be burned alive, Suttee style, at his funeral. Words like 'beatnik' and 'Neanderthal'

were bandied around freely, and at length the conversation became general.

We talked a lot about the beauties of Spain. The sales manager told her how to choose Seville lace, and I drew freely on my Hemingway to tell her what bull-fighting really means to the *aficionado*. Her father grew more cheerful remembering that he could fly to Barcelona in three hours in case of emergency, and Apple put him in his place by rejecting his *Château d'Yquem* as an inappropriate selection and demanding something from Castille. The struggle between winemanship and parental indulgence in his face was quite interesting.

We were finishing up with a velvety port when Apple wanted a souvenir of her farewell evening with three beaux to her string, and picked on a plaster statuette standing in a niche nearby. It was one of those advertising items – a cloaked and flat-hatted *caballero* holding a wine-glass – which made an ideal trophy. Unfortunately, the restaurant manager, a fat, double-chinned character with a permanent sneer, refused to part with it. Neither blandishments nor proffers of handsome cash considerations would move him, much to Apple's disappointment, and her father suddenly relapsed into his depressed mood and started muttering about being in time for the train.

\* \* \* \*

We all saw her off at the carriage door, and then I produced my master-stroke from under my coat. The statuette. The cherished souvenir. 'I slipped back and grabbed it while you were collecting your coats,' I announced proudly. 'After all, it's one of these free advertising gimmicks; it costs nothing.' Apple's squeals of delight drowned alike her father's startled comment on compounding a felony and the sales manager's obscure reference to hanging cattle-lifters in his country, and the departing train bore her away in the best of spirits, brandishing her statuette rapturously from the window. The situation was saved; I had saved it.

It was later that night that I began to worry. My master-stroke had been designed to impress the M.D. with an exhibition of quick-thinking initiative – a characteristic obviously marking the potential chief executive. Maybe when he'd had fuller time for reflection he might wonder whether the underlying mental approach was an altogether safe indication of the philosophy of the accountant who had charge of the company's cash.

# Finance and Commerce

## Newbold & Burton

THE accounts of Newbold & Burton Holdings Ltd which are the subject of this week's reprint give a picture of successful business which investors are always looking for but so seldom find until the ten-year record puts it beyond doubt. This company, now a holding concern, was formed in 1926 to acquire a ladies' shoemaking business founded in 1915. Much of its production is sold under customers' brands but it also has its own marks: 'Flexiwelt', 'Flexezy', 'Marcelle', and 'Allies'.

Looking back on the ten-year record, the capital, all in ordinary shares in 1952, was £207,844 following the 1951 capital bonus of 30 per cent. For some years a 20 per cent dividend was maintained. Then came a 50 per cent capital bonus in 1957 with the dividend more than maintained on the increased capital. In the year of these accounts, to December 31st, 1960, the dividend is raised from 22½ per cent to 25 per cent and there is another capital bonus of 50 per cent.

In 1952, the price of the shares was in the region of 10s to 12s. This year, before the capital bonus, the price was a little over £1. The issued capital has been lifted from £159,880 at November 1951 to £333,683 in the present accounts and is now 50 per cent greater as a result of the resolution passed at the recent annual meeting.

## Spinning Wheel

Mr Francis Burton, the chairman, in his statement says that production during the year could have been higher had it not been for the limitations of an insufficient labour force. 'The spinning wheel of fashion', he says, 'has never moved faster and the changing pattern of shoemaking techniques made the year very difficult for production executives.'

As a consequence, he states, 'we have been knocking down and putting up, buying new and replacing old machinery and plant, renovating and reorganizing all during the year at considerable expense, which has resulted in abnormal overhead costs. Because of this I consider that the year's trading results are even better than the bald statement of net profit which the accounts reveal'. He is not unmindful that liquid resources should be used to better advantage and the board hope to develop further within the industry with the passage of time.

Probably not even Mr Burton, let alone the general investor, could have foreseen ten years ago the surge of Italian influence in ladies' shoe fashions – the fantastically pointed toe and the penetrating stiletto

heel – at a time when women have had more money to spend on themselves than ever before in history. 'The spinning wheel of fashion' has indeed never moved faster.

## Equation

Mr Burton refers shareholders for further information to the 'secretary's analysis of the accounts' which, he says, is very informative. And so it is, as readers will see from its inclusion in the reprint. There is no need to go over it item by item.

The note at the foot of the Appendix, however, is very intriguing: '(t)+(u)+(v)+(w)+(x) above equals (y)+(z) above.' One cannot but help feeling that Mr Austin, whose signature concludes the Appendix could have done with a little more space to elaborate on the particular significance of the equation.

## From Ireland

A QUICK look at the report and accounts of ACement Ltd and the eye caught a paragraph in the notes that produced quite a mental jolt – 'Income tax deducted from dividends has been calculated at 6s 6d in the £ (previous year 7s 2d) which allows for the tax relief in respect of profits on exports. In the absence of such relief, income tax would have been deducted at the rate of 5s in the £ (previous year 7s 3d)'. It took a moment or two to recover from the shock but then, with the signature of Kennedy, Crowley & Co (of Dublin) on the auditors' report standing out on the opposite page, comprehension dawned. The company, of course, is Irish and the Republic is very export minded.

The form of the accounts is interesting. The balance sheet opens with 'Current assets', less 'Current liabilities', grouped and detailed in each case and then adds in one total of Fixed assets, the detail of which is given in the notes. This method keeps the account concise and at the same time provides without further reference the wider view of the net current assets, which is probably, with many people, the first balance sheet fact to be examined.

'Manner in which financed' heads the second half of the balance sheet and here the aim has been brevity with the further information in the notes. The profit and loss account is two part: 'Profits earned' and 'Manner in which profits applied' and the difference between the totals is labelled 'Retained in the business'.

## E. & O.E.

SOME mistakes are ludicrous; some are obvious; some very vital. Knowing the pitfalls, therefore, one can sympathize with the producers of the annual report and accounts of Cannon (Holdings) Ltd from which a note to the consolidated profit and loss account was dropped. The note explains how a loss before taxation was arrived at and refers to the directors' emoluments.

A letter of explanation caught up with the accounts.



CAPITAL		1960	1959	PROFIT ON TRADING before adding or deducting the items shown hereon...		1960	1959
Authorised Capital:		£	£	Add:		£	£
2,000,000 Ordinary Shares of 5s. each £500,000				Surplus on Sale of Investment by Subsidiary Company .. .. .		334,890	331,918
Issued Capital:				Dividends (Gross) .. .. .		—	328
1,334,730 Ordinary Shares of 5s. each, fully paid .. .. .		333,683	333,683	Trade Investments .. .. .		580	580
CAPITAL RESERVE				Interest Received (Gross): .. .. .		12,427	6,603
Pre-acquisition Profits, Subsidiary Company		7,919	7,919	Government Securities, Bank and other short-term Deposits .. .. .		4,695	3,796
REVENUE RESERVE				Interest Received (Net): .. .. .		352,592	343,225
GENERAL RESERVE (Note 12)		300,000	225,000	Building Society Deposits and Tax Reserve Certificates .. .. .		55,294	55,358
PROFIT AND LOSS ACCOUNT BALANCE UNAPPROPRIATED .. .. .		61,668	72,642	Deduct:		1,449	1,449
				Depreciation of Fixed Assets (Note 18)		24,722	24,722
				Auditors' Fees including Accountancy ..		2,200	2,200
				Directors' Emoluments (Note 19): ..		748	748
				Management Remuneration .. .. .		655	655
				Fees .. .. .		—	—
				Supplementary Pension Scheme .. ..		—	—
				Pensions—Widow of, and Past Director ..		—	—
				Staff Pension and Life Assurance Scheme (Note 20) .. .. .		19,512	28,325
				Balance (Profit on Trading) .. .. .		7,304	6,587
				Deduct:		83,819	91,719
				Taxation based on these Accounts:		268,773	251,506
				Profits Tax .. .. .		—	—
				Less: Overprovided 1959 .. .. .		33,389	28,421
				Income Tax .. .. .		10,263	103,280
				Less: Overprovided 1959 .. .. .		143,652	131,701
				Consolidated Net Profit for the year		125,121	119,805
				Add:		—	—
				Development Reserve (Subsidiary Company) re-transferred .. .. .		—	50,000
				Less: Capitalised .. .. .		—	31,404
				Balance brought forward (newly acquired Subsidiary Company) .. .. .		—	18,596
				Less: Capitalised .. .. .		—	29,586
				Balance brought forward 1959:		60,424	1,746
				Parent Company .. .. .		12,218	53,057
				Subsidiary Companies .. .. .		72,642	8,802
				Deduct:		197,763	202,006
				Transfer of Pre-acquisition Profits (newly acquired Subsidiary Company) to Capital Reserve .. .. .		—	7,919
				Dividend—5 per cent. Preference Shares (net amount) (newly acquired Subsidiary Company):		—	459
				Interim and Final Dividend of 3 per cent. paid for nine months period prior to acquisition .. .. .		—	—
				Dividends—Ordinary Shares (net amounts):		20,438	20,438
				Interim Dividend of 10 per cent paid		30,657	25,548
				Proposed Final Dividend of 15 per cent.		51,095	45,986
				Appropriation of Profit to Quarter-Century Pension Fund Reserve .. ..		10,000	—
				Appropriation of Profit to General Reserve .. .. .		75,000	75,000
				Balance Unappropriated carried forward:		55,090	60,424
				Parent Company .. .. .		6,578	12,218
				Subsidiary Companies .. .. .		£61,668	£72,642

## Represented by:—

**FIXED ASSETS**—At cost, less depreciation

**FREELAND, LAND AND FACTORY BUILDINGS (Note 13)** .. .. . 120,000

**FREELAND, HOUSES AND OTHER PROPERTIES (Note 14)** .. .. . 8,000

**PLANT, MACHINERY, FIXTURES AND FITTINGS (Note 15)** .. .. . 75,127

**MOTOR VEHICLES (Note 16)** .. .. . 12,417

**GOODWILL** .. .. . 215,544

Arising on the incorporation of the book value of the net assets of Subsidiary Companies in the Consolidated Balance Sheet

**TRADE INVESTMENTS** at cost .. .. . 44,840

**GOVERNMENT SECURITIES** at cost .. .. . 8,375

(Market Value as at 31st December, 1960—£5,500) .. .. . 5,500

**CURRENT ASSETS**

**STOCK ON HAND** at the lower of cost or Market Value as certified by the Managing Director of the Holding Company .. .. . 273,141

**TRADE DEBTORS AND OTHER ACCOUNTS** .. .. . 28,685

**BILLS RECEIVABLE** .. .. . 13,000

Less: Contingent Liability respecting Bills discounted at face value .. .. . 13,000

**TAX RESERVE CERTIFICATES** .. .. . 33,875

**CASH DEPOSITED** at short notice with BUILDING SOCIETIES .. .. . 50,000

**CASH DEPOSITED** at short notice with LOCAL AUTHORITIES .. .. . 100,000

**BALANCES AT BANKERS AND CASH IN HAND** .. .. . 157,434

643,135

Less: **CURRENT LIABILITIES**

**TRADE CREDITORS** .. .. . 11,453

**ACCRUED CHARGES AND OTHER ACCOUNTS** .. .. . 16,214

**CURRENT TAXATION, INCLUDING PROFITS TAX (Note 17)—UNCLAIMED DIVIDENDS (Net Amount)** .. .. . 35,800

**PROPOSED ORDINARY FINAL DIVIDEND OF 15 per cent. (Net Amount)** .. .. . 30,657

94,124

£23,270

APPENDIX  
BALANCE SHEET ANALYSIS

With reference to the mention in our Chairman's Review, the following Balance Sheet Analysis may prove useful and of interest:

	Group 1960	Group Increase during 1960	Group 1959	See Consolidated Balance Sheet.
(a) Share Capital .. .. .	333,683	—	333,683	
Capital Reserve .. .. .	7,919	—	7,919	
General Reserve .. .. .	300,000	75,000	225,000	
Unappropriated Profit .. .. .	61,668 (Reduct)	10,974	72,642	
<b>TOTAL CAPITAL AND RESERVES (excluding Quarter-Century Pension Fund Reserve)</b> .. .. .	<b>£703,270</b>	<b>£64,026(t)</b>	<b>£639,244</b>	
(b) Fixed Assets, at cost .. .. .	561,407	—	516,555	See Consolidated Notes on Accounts.
Less: Depreciation to date .. .. .	345,863	—	311,115	
<b>WRITTEN DOWN VALUE .. .. .</b>	<b>215,544</b>	<b>—</b>	<b>205,440</b>	See Consolidated Balance Sheet.
Add: Goodwill .. .. .	44,840	—	44,840	
<b>Approximate proportion of CAPITAL AND RESERVES represented by FIXED ASSETS and GOODWILL (b): (a) .. .</b>	<b>£260,384</b>	<b>—</b>	<b>£230,280</b>	
(c) Amounts set aside for future Taxation and cleared during Year prior to due date .. .. .	108,000 (1959 for 1960)	—	65,000	See Consolidated Notes on Accounts.
(d) Current Liabilities .. .. .	£94,124	—	£84,747	See Consolidated Balance Sheet.
(e) Current Assets .. .. .	£643,135	—	£567,836	
Approximate cover of Current Liabilities by Current Assets (e): (d) .. .. .	6½ times	—	6½ times	
(f) Consolidated Net Profit for Year .. .. .	£125,121 (z)	—	£119,805 (z)	See Consolidated Profit and Loss Account.
(g) Net Dividend for Year .. .. .	£51,095 (x)	—	£45,986 (x)	
Approximate cover of Net Dividend by Consolidated Net Profit (f): (g) .. .. .	(25% less tax) 2½ times	—	(22½% less tax) 2½ times	
(h) Special Items:				
(i) Net amount brought forward, after capitalisation (newly acquired Subsidiary Company) .. .. .	— (y)	—	£1,746 (y)	See Consolidated Profit and Loss Account.
(ii) 3½ per cent. Preference Dividend for nine months' period prior to acquisition (newly acquired Subsidiary Company) .. .. .	— (w)	—	£459 (w)	
(iii) Capitalisation by Subsidiary Company .. .. .	— (v)	—	£31,404 (v)	
(iv) Transfer to Quarter-Century Pension Fund Reserve .. .. .	£10,000 (u)	—	— (u)	
(i) Amount brought forward from preceding Year .. .. .	£72,642	—	61,859	
Less: Transferred Capital Reserve .. .. .	75,000	—	7,919	
Transferred General Reserve .. .. .	(Minus) 2,358	—	25,000	
(j) Amount carried forward to Ensuing Year	61,668	—	28,940	
<b>NET INCREASE IN RESERVES DURING YEAR, as shown at (a) above .. .</b>	<b>£64,026 (t)</b>	<b>—</b>	<b>£43,702 (t)</b>	

(NOTE: (t) + (u) + (v) + (w) + (x) above = (y) + (z) above)

## NEWBOLD &amp; BURTON HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

## CONSOLIDATED BALANCE SHEET:—

12. GENERAL RESERVE: After recommended appropriation from profit for the year ended 31st December, 1960, as shown hereunder:

General Reserve (Group) as at 31st December, 1959	£ 225,000
Plus: Recommended Appropriation from Profit (as Note 1 opposite) .. .. .	75,000
General Reserve (Group) as at 31st December, 1960 .. .. .	£300,000

## FIXED ASSETS:—

	1960	1959
Cost	Written Down Value	Written Down Value
£	£	£
13. FREEHOLD LAND AND FACTORY BUILDINGS	207,423	118,444
14. FREEHOLD HOUSES AND OTHER PROPERTIES	18,585	10,196
15. PLANT, MACHINERY, FIXTURES AND FITTINGS	288,395	66,171
16. MOTOR VEHICLES .. .. .	47,004	10,629
	<b>£561,407</b>	<b>£205,440</b>

## 17. CURRENT TAXATION:

1959: The Reserve of £65,000 made in 1958 for the 1959/60 Income Tax Schedule "D" liability was cleared by payment of the agreed liability prior to the 31st December, 1959.  
1960: The Reserve of £108,000 made in 1959 for the 1960/61 Income Tax Schedule "D" liability was cleared by payment of the agreed liability prior to the 31st December, 1960.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT:—

18. DEPRECIATION OF FIXED ASSETS: Includes an excess charge of £14,285 this year, to reduce certain of the Group's factory buildings and house properties to realisable values (1959: £14,848).

19. DIRECTORS' EMOLUMENTS: Relate to Emoluments received by Directors of Parent Company, from the Parent Company, together with Emoluments received from Subsidiary Company, as indicated below:

	1960	1959
Parent Company	£	£
Management Remuneration:		
Parent Company .. .. .	17,274	19,952
Subsidiary Company .. .. .	—	4,770
	<b>£17,274</b>	<b>£24,722</b>
Supplementary Pension Scheme:		
Parent Company .. .. .	221	565
Subsidiary Company .. .. .	—	183
	<b>£221</b>	<b>£748</b>
Pensions, Widow of, and Past Directors:		
Parent Company .. .. .	822	655
Subsidiary Company .. .. .	—	—
	<b>£822</b>	<b>£655</b>
20. STAFF PENSION AND LIFE ASSURANCE SCHEME:		
(a) The charge for the year ended 31st December, 1960, was met as shown hereunder:		
Parent Company .. .. .	7,304	5,542
Subsidiary Companies .. .. .	—	1,045
	<b>£7,304</b>	<b>£6,587</b>
(b) Such charge also included contributions on behalf of Directors of Parent Company, as Members of the Staff Pension and Life Assurance Scheme, as shown hereunder:		
Parent Company .. .. .	352	635
Subsidiary Company .. .. .	—	392
	<b>£352</b>	<b>£1,027</b>

## CAPITAL COMMITMENTS:—

21. The CAPITAL COMMITMENTS of the Group at the 31st December, 1960 (31st December, 1959,

## CITY NOTES

INITIAL stock-market reaction to the Budget was the return of small buyers to the industrial equity market on the view that since there was little in the Budget that pointed to any pressing need to sell shares, then growth should continue.

Bigger investors naturally take a more sophisticated and more complicated view and for them the main points for uncertainty are the Chancellor's new powers of between-Budget operation through the 10 per cent duty change manoeuvre and the payroll tax.

On paper, at least, these powers if used might be calculated to introduce less drastic changes in internal demand than sudden imposition of lifting of hire-purchase restrictions. That should apply to the 10 per cent duty change factor but it is questionable whether the payroll manoeuvre, if used, would have any effect other than a purely revenue-producing one. For the payroll tax to be economically effective there would have to be a far greater degree of mobility of labour than there is at present or is likely to be in the foreseeable future.

Uncertainty on this score coupled with the net earnings effect of increased profit tax and the impact of increased fuel duty on industrial costs may make the thinking investor more selective in his choice of equity investment.

It remains to be seen, however, whether Budget assessment will make material difference to the supply and demand factor which currently predominates in the equity market. First reactions suggest it will not.

## RATES AND PRICES

Closing prices, Wednesday, April 19th, 1961

Tax Reserve Certificates: interest rate (26.11.60) 3%

## Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

## Treasury Bills

Feb. 10	£4 6s	0.56d%	Mar. 17	£4 9s	8.57d%
Feb. 17	£4 7s	7.63d%	Mar. 24	£4 9s	8.46d%
Feb. 24	£4 7s	11.85d%	Mar. 30	£4 9s	8.41d%
Mar. 3	£4 8s	10.41d%	April 7	£4 8s	8.68d%
Mar. 10	£4 9s	9.54d%	April 14	£4 9s	7.69d%

## Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4½-4½%	2 months	4½-4½%
<i>Fine Trade Bills</i>		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

## Foreign Exchanges

New York	2.79 13/16-18	Frankfurt	11.11-13
Montreal	2.76 13/16-18	Milan	1737 5/8-8 1/8
Amsterdam	10.05 13/16-18	Oslo	20.00 1/2-1
Brussels	140.06 1/8-18	Paris	13.71 3/8-1/2
Copenhagen	19.34 3/8-8	Zürich	12.10 3/8-8

## Gilt-edged

Consols 4%	63½	Funding 3% 59-69	81½
Consols 2½%	42	Savings 3% 60-70	79½
Conversion 5½% 1974	95½	Savings 3% 65-75	72½
Conversion 5% 1971	92½	Savings 2½% 64-67	83½xd
Conversion 3½% 1969	84½	Treasury 5½% 2008-12	91½
Conversion 3½%	56 3/8	Treasury 5% 86-89	86½
Exchequer 5½% 1966	99 13/16	Treasury 3½% 77-80	72½
Funding 5½% 82-84	96 7/8	Treasury 3½% 79-81	71 1/8
Funding 4% 60-90	87½	Treasury 2½%	41
Funding 3½% 99-04	62½	Victory 4%	95½
Funding 3% 66-68	83 3/8	War Loan 3½%	57 13/16

## Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the judgments, in the 'Annotated Tax Cases'.

## Henty and Constable (Brewers) Ltd v. C.I.R.

In the High Court of Justice (Chancery Division)

March 21st, 1961

(Before Mr Justice BUCKLEY)

*Stamp duty - Sale of shares in company - Liquidation of company - Direction to liquidator to transfer assets to vendors of the shares - Conveyance by company and liquidator of other assets to purchaser - Whether a conveyance on sale - Stamp Act, 1891, Section 54 - Law of Property Act, 1925, Section 53 (i) (c).*

On April 17th, 1921, all the shareholders in a company (Constable) agreed with another company (Henty) for the sale to Henty of their shares in Constable. The consideration was to be satisfied by the allotment of fully paid-up shares in Henty.

Completion was to take place on April 25th, 1921, and after completion Constable was to be wound up. By clause 6 of the agreement it was declared (in effect) that the consideration for the shares was arrived at without taking into account the value of the unlicensed premises of Constable, and it was agreed that Henty, before completion of the sale of the shares, should give an irrevocable authority for those premises to be made over to the vendors or their nominees, free from the mortgages on them, and with the income less outgoings as from April 1st, 1920. Henty was to be entitled to all dividends on the sold shares as from the same date.

On April 25th, 1921, at a meeting of the directors of Henty, it was resolved that the completion of the sale should be carried out forthwith; and that as certificates and transfer deeds of the shares in Constable had been received with forms of authority signed by the shareholders as to the distribution of Constable's assets, 81,255 shares of £1 each in Henty should be issued to the vendors. On December 31st, 1921, a deed of conveyance between Constable and its liquidator of the one part and Henty of the

other part was executed. It recited that Constable was seized of (in effect) its licensed premises, that Constable had been put into liquidation, and that its shareholders had delivered to the liquidator the authorities aforesaid; and the operative part of the deed of conveyance was:

'Now this indenture witnesseth that in consideration of the premises the Constable company as beneficial owner acting by the said William Beldam as the liquidator thereof hereby grants and conveys' the freehold licensed premises to Henty. The leasehold licensed premises were also assigned. The deed was stamped 10s.

The respondents contended that the conveyance of December 31st, 1921, was a conveyance on sale; and that *ad valorem* duty in the amount of £985 was payable thereon. It was contended on behalf of the appellant that on April 25th, 1921, it had discharged all its obligations under the agreement for sale, and was, when Constable had been put into liquidation, entitled to all the assets of that company distributable in the liquidation; and that the conveyance was by a liquidator to the person who had become entitled to the assets in question.

*Held:* the conveyance was not a conveyance on sale but was a conveyance by a liquidator to the persons entitled in the liquidation; and that the proper amount of stamp duty was 10s.

#### **Ridge Nominees Ltd v. C.I.R.**

In the High Court of Justice (Chancery Division)  
March 23rd, 1961

(Before Mr Justice BUCKLEY)

*Stamp duty – Sale of stock in company – Transfer deed by accepting stockholder – Transfer deed by dissentient stockholder – Whether transfers on sale – Stamp Act, 1891, Section 54 – Finance Act, 1895, Sections 1, 12 – Companies Act, 1948, Section 209.*

On November 14th, 1958, an offer was made by Ridge Securities Ltd (Ridge) to the stockholders of Gresham Trust Ltd (Gresham) for the purchase of their stock units in Gresham. The offer was conditional till December 4th, 1958 (or till such later date, not being beyond December 16th, 1958, as Ridge might stipulate), on the acceptance of the offer by the holders of 90 per cent of Gresham's issued capital or such smaller percentage as Ridge might, on or before December 30th, 1958, elect. Acceptance was to be by the signing of a form which, together with deeds of transfer of the stock, was to be forwarded to a stated address. The transfer deeds were to be in favour of the appellant. The offer became unconditional on December 12th, 1958.

Two of the stockholders in Gresham who had accepted the offer and had signed the acceptance form and had executed transfer deeds of their stock to the appellant, did so before December 12th, 1958. Another stockholder declined to accept the offer, and his shares were acquired by the appellant under Section 209 of the Companies Act, 1948. In pur-

suance of Section 209 (3) a transfer on his behalf was made by a person appointed by the appellant.

It was contended on behalf of the appellant that the transfer deeds of the shares acquired while the offer was still conditional, and of the shares acquired under Section 209 of the Companies Act, 1948, were not transfers on sale, and should be stamped 10s. It was contended on behalf of the respondents that both classes of transfer deeds were stampable *ad valorem*.

*Held:* (1) the transfer deeds executed while the offer was still conditional were transfers on sale, and were stampable accordingly; (2) the transfer deeds of shares acquired under Section 209 of the Companies Act, 1948, were not transfers on sale and were not stampable as such, but were stampable with a 10s stamp.

#### **Crabb v. Blue Star Line Ltd**

In the High Court of Justice (Chancery Division)

March 24th, 1961

(Before Mr Justice BUCKLEY)

*Income tax – Shipowning company – Contract for building of ships – Insurance against delay – Sums received from insurers – Whether trade receipts – Income Tax Act, 1952, Schedule D, Case I (Section 123).*

The respondent placed orders for the building of seven ships, and took out a policy at Lloyds, in connection with each order, insuring that in the event of the vessel not being delivered within fourteen days after the due delivery date, the insurers would pay £500 for each day's delay up to a total period of ninety days. The premiums paid under the seven policies came to £4,074, of which £1,101 was charged in the profit and loss account, and in the computation of the company's profit under Case I of Schedule D, and £2,973 against a fleet replacement reserve. There was delay in the delivery of two of the ships, and the company received sums under the policies applicable to those ships. The company had frequently entered into shipbuilding contracts, under which the company was bound to increase the purchase price in the event of the delivery of the vessel before the contract date, and was entitled to a decrease in the purchase price if the ship was delivered late. The total of the amounts received under the two policies was £64,845, and they were credited to the fleet replacement reserve.

It was contended on behalf of the appellant that these sums were payable as compensation for loss of user of the ships in question and were of a revenue nature, and were therefore taxable receipts. It was contended on behalf of the respondent that the sums were received under policies incidental to the acquisition of new assets, and were analogous to a reduction of the purchase price for delay; and that the sums were capital receipts. The Special Commissioners decided in favour of the respondent.

*Held:* The Special Commissioners' decision was correct.

**Regina v. Great Yarmouth General Commissioners, ex parte Amis**

In the High Court of Justice (Queen's Bench Division)  
May 11th, 1960

(Before THE LORD CHIEF JUSTICE (LORD PARKER OF WADDINGTON), MR JUSTICE BYRNE and MR JUSTICE ASHWORTH)

*Income tax - Back duty - Allegation of fraud or wilful default - Appeal - Information from informer - Informer withdrawing statement after appeal - Certiorari.*

Information was received by an Inspector of Taxes from an informer to the effect that the taxpayer, a jeweller, had concealed some of the profits of her business. Additional assessments to income tax were made on the taxpayer in estimated amounts in respect of the profits of her business for 1940-41 to 1944-45, under Section 47 of the Income Tax Act, 1952, on the ground that there had been fraud or wilful default. The taxpayer appealed to the General Commissioners, and in the course of the cross-examination of the Inspector he stated that he had received information from an informer suggesting

that profits of the business had been concealed. The General Commissioners decided that in respect of the years 1940-41 to 1944-45 the taxpayer had committed fraud or wilful default, and they confirmed the assessments substantially as they were. The taxpayer required the General Commissioners to state a case for the opinion of the High Court.

After the General Commissioners had made their determination the informer's name was discovered by her solicitor, and he obtained from the informer a document stating that the information he had given to the Inspector of Taxes was false, and that he had given it because he had a grudge against the taxpayer; and he also stated that he had not said some of the things that the Inspector had alleged that he had said. The taxpayer applied for an order of certiorari to quash the General Commissioners' determination of the appeal.

*Held:* there was no evidence that what the informer had told the Inspector was false, or that it had affected the General Commissioners' determination; and that the case was not one for making an order of certiorari.

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

### Decimalization of Currency

SIR, - I note from recent issues that two of your correspondents are against the proposal to decimalize the British currency.

In your leader of February 11th last, I cannot help feeling you were guilty of extravagant language when you stated that

'... clinging to an outmoded currency system *contra mundum* is a situation too dangerous seriously to be contemplated'.

I can contemplate it and I hope I am not in danger!

During many years of residence or travel in most countries on the Continent of Europe between the wars, I had to cope with a variety of currencies - some stable, others fluctuating - and I found (depending on the transaction involved) that a mental conversion to pounds, shillings or pence was required in order to assess value. This has now to be done in the case of rands and cents for transactions with South Africa although, of course, the mental calculation is not difficult. The point I make here is that people born and raised in the United Kingdom have a £ s d complex in assessing values, and this will be difficult to change.

If a change is decided, however, the metric guinea of 1,000 farthings would appear to be the best bet

as any amount in £ s d can be converted exactly into guineas and farthings. (Incidentally, professional men would only lose eight farthings per guinea if they adopted the new unit!) The guinea is also near enough to the pound not to affect mental assessment of value and rough comparisons. There would need to be a long transitional period - probably a generation - during which both systems operated side by side. All coins would remain the same but should have their farthing equivalent stamped on them in addition, e.g. a half-crown would be stamped in addition '120 farthings', and a 10s note '480 farthings'.

In addition, probably, three new notes would be required: 1 metric guinea (1,000 farthings), half-guinea (500 farthings) and quarter-guinea (250 farthings).

Yours faithfully,

RICHARD FARMER.

*Kitwe, Northern Rhodesia.*

### Articled Clerks and Qualification Prospects

SIR, - I have studied closely Mr MacNair's compilation of statistics on articled clerks and qualification prospects (April 1st issue) and I must congratulate him on the immense effort which he must have brought to bear on the task.

To my mind the overall result appears to be a 66 per cent ultimate chance of qualification, or if one eliminates those who fall by the wayside before sitting the Intermediate and those dropping out after the Intermediate (about 7 per cent of registrations under the 1926 statistics) over 71 per cent.

Yours faithfully,

STEPHEN L. T. CRAWFORD.

*Sible Hedingham, Essex.*

# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

## REPORT OF THE COUNCIL FOR 1960

*We reproduce below the annual report<sup>1</sup> of the Council for the year 1960 to be presented to the eightieth annual meeting of The Institute of Chartered Accountants in England and Wales to be held on Wednesday, May 3rd, 1961, at 2 p.m. in the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, EC2.*

### Banquet in Guildhall

1. A banquet to celebrate the eightieth anniversary of the grant of the Royal Charter to the Institute was held in Guildhall on Monday, October 10th, 1960. The President, Mr S. John Pears, F.C.A., presided over an assembly of nearly 700 members and guests. The guests who spoke were: Lord Parker of Waddington, *Lord Chief Justice of England*; Viscount Amory of Tiverton; and Mr J. S. Seidman, *Immediate Past President of The American Institute of Certified Public Accountants*. The banquet was also attended by the following representatives of overseas bodies: Mr G. Basu (The Institute of Chartered Accountants of India), Mr W. J. S. Bosworth (The Rhodesia Society of Accountants), Mr Helge Braende (Norges Statsautoriserede Revisorer Forening - Norway), Mr K. le M. Carter (The Canadian Institute of Chartered Accountants), Mr W. A. Dean (Joint Council of the Societies of Chartered Accountants of South Africa), Mr J. G. Duff (The Institute of Chartered Accountants in Australia), Mr B. Forsström (K.H.T.-Yhdistys-Föreningen C.G.R. - Finland), Mr K. G. Jensen (Foreningen af Statsautoriserede Revisorer - Denmark), Professor Dr A. Meier (Institut der Wirtschaftsprüfer - Germany), Mr F. M. Richard (Ordre des Experts Comptables et des Comptables Agréés - France), Mr J. Schellekens (Collège National des Experts Comptables de Belgique - Belgium), Mr F. van Amerongen (Nederlands Instituut van Accountants - Netherlands). The proceedings were reported in *Accountancy* for October and November 1960 [and *The Accountant* of October 15th, 1960].

### President and Vice-President

2. At a meeting of the Council held on Wednesday, June 1st, 1960, Mr Sidney John Pears, F.C.A., London, was elected President for the ensuing year in succession to Mr Charles Urie Peat, M.C., M.A., F.C.A., London. Mr Paul Francis Granger, F.C.A., Nottingham, was elected Vice-President.

### Resignations from the Council

3. The Council has to report with regret the resignations of the following from membership of the Council:

Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A., London, a member of the Council since 1931 and President for the year 1945-46. He was a past chairman of many committees and sub-committees.

<sup>2</sup>Mr Paul Dugan Irons, B.COM., F.C.A., Hatfield, a member of the Council since 1956.

<sup>2</sup>Mr Philip Vaughan Roberts, F.C.A., Bristol, a member of the Council since 1953. He was the chairman of the Finance Committee.

### Deaths of Members of the Council

4. The Council records with regret the deaths of the following members of the Council:

Mr George Forrest Saunders, F.C.A., Liverpool, a

member of the Council since 1948 and a past chairman of the Applications Committee and of the Parliamentary and Law Committee.

Mr Alexander Dalrymple Walker, F.C.A., Liverpool, a member of the Council since 1948 and chairman of the District Societies Committee and a past chairman of the Library Committee.

### New Members of the Council

5. The vacancies on the Council caused by the resignations and deaths reported above have been filled as follows and in accordance with bye-law 13 a resolution confirming the appointments will be submitted to the annual meeting:

Mr John Foster Allan, F.C.A., Liverpool.

<sup>2</sup>Mr Eric Hay Davison, F.C.A., London.

Mr Eric Norman Macdonald, D.F.C., F.C.A., Liverpool.

Mr John Dennis Russell, M.A., F.C.A., London.

<sup>2</sup>Mr Frederick James Weeks, F.C.A., Bristol.

### Retirement and Election of Members of the Council

6. The following eleven members of the Council retire under bye-law 5 and are eligible for re-election. The names of these members (other than the 'Society's appointed members' whose position is governed by clause 18 of the Scheme of Integration) have been referred to the district societies concerned and the Council recommends their re-election:

Mr Thomas Austin Hamilton Baynes, M.A., F.C.A., Birmingham.

Mr Douglas Archibald Clarke, LL.B., F.C.A., London.

Mr Wilfrid Guy Densem, F.C.A., London.

Mr Paul Francis Granger, F.C.A., Nottingham.

<sup>3</sup>Mr Hugh Oliver Johnson, F.C.A., Bath.

<sup>3</sup>Mr Harold Leslie Layton, M.S.M., F.C.A., London.

Mr Charles Urie Peat, M.C., M.A., F.C.A., London.

Mr John Eric Talbot, F.C.A., London.

Mr Arthur Halsall Walton, F.C.A., Manchester.

Mr Victor Walton, F.C.A., Leeds.

Mr Ernest Frederick Golden Whinney, M.A., F.C.A., London.

### Council and Committee Meetings

7. During the year 1960 the Council met on 11 occasions, on each of which both special and ordinary meetings were held. The following committees held meetings totalling 218 as follows:

Applications .. ..	11	Finance .. ..	11
Articled Clerks .. ..	12	General Purposes ..	11
Consultative Committee of Members in Commerce and Industry .. ..	3	Investigation .. ..	12
Disciplinary .. ..	12	Library .. ..	5
District Societies .. ..	4	Overseas Relations ..	2
Examination .. ..	6	Parliamentary and Law .. ..	13
		P. D. Leake .. ..	2
		Summer Course .. ..	3

Special committees and sub-committees of standing committees .. .. III

<sup>1</sup> The Appendices and some references to them in the report are not reproduced.

<sup>2</sup> Denotes member not in practice.

<sup>3</sup> Denotes 'Society's appointed member'.

The foregoing table does not include meetings with representatives of other bodies on matters requiring joint consideration; nor does it include Taxation and Research Committee meetings which are recorded separately in paragraph 117.

### The Consultative Committee of Members in Commerce and Industry

8. At its meeting on October 5th, 1960, the Council decided that the name of the Non-Practising Members Consultative Committee be changed to the Consultative Committee of Members in Commerce and Industry.

### Public Relations Committee

9. At its meeting on November 2nd, 1960, the Council appointed a Public Relations Committee as a standing committee in place of the Public Relations Sub-Committee of the General Purposes Committee.

### Annual Church Service

10. The annual church service was held at 1 p.m. on Wednesday, July 6th, 1960, at St Margaret's Church, Lothbury, EC2, and was attended by the President and members of the Council as well as by a number of other members of the Institute. The service was conducted by the Rector, the Rev. A. John Drewett, M.A., B.Sc., and the Lesson was read by the President. The collection for the benefit of The Chartered Accountants Benevolent Association amounted to £49.

11. The service in 1961 will be held at 1 p.m. on Wednesday, July 5th, at St Margaret's Church, Lothbury. The Council hopes that as many as possible of the members of the Institute will attend.

### Hospitality

12. In accordance with custom, the President's Dinner was held on the evening of May 3rd, 1960, the day preceding the annual meeting of the Institute. The dinner was held at Merchant Taylors' Hall by permission of the Master and Wardens. The names of those present were reported in *Accountancy* for May 1960 [and *The Accountant* of May 7th, 1960].

13. The President and members of the Council entertained the Lord Mayor of London, Sir Edmund Stockdale, at a luncheon in the Oak Hall on October 4th, 1960. Other guests were Mr Alderman and Sheriff A. K. Kirk; Mr T. E. Chester Barratt, M.A., LL.B. (Chief Commoner); Mr Rodway Stephens, F.C.A. (Chairman of Coal and Corn and Finance Committee); Mr Leslie B. Prince, M.A., F.C.A. (Chairman of Rates Finance Committee); Sir Irving Gane, K.C.V.O. (City Chamberlain); Mr E. H. Nichols, T.D., B.A., LL.B. (Town Clerk); Mr Desmond Heap, LL.M. (Comptroller and City Solicitor); Mr Paul C. Davie, B.A. (Remembrancer); Brigadier R. F. S. Gooch, D.S.O., M.C., M.A. (Secretary to the Lord Mayor); Mr R. S. Walker, F.R.I.C.S. (City Surveyor); Mr H. A. Mealand, F.R.I.B.A. (City Planning Officer); Colonel B. H. Lumsden, C.B.E., R.M. (Sword-bearer); Brigadier P. Clapham, O.B.E. (Common Cryer and Serjeant-at-Arms); and Brigadier R. H. S. Popham, O.B.E. (Marshal of the City of London).

14. The President, accompanied by certain members of the Council and the Secretary, has entertained guests at luncheons at *The Dorchester Hotel* as follows:

*July 27th, 1960.* Lord Reith, G.C.V.O., G.B.E., C.B., T.D. (Director of companies); Lord Ritchie of Dundee (Chairman of the Stock Exchange, London); Sir Roger Makins, G.C.M.G., K.C.B. (Chairman of the United Kingdom Atomic Energy Authority); Sir Harry Pilkington (Chairman of Pilkington Brothers Ltd); and Sir William Strath, K.C.B. (Permanent Secretary to the Ministry of Aviation).

*November 23rd, 1960.* The Rt. Hon. Reginald Maudling, M.P. (President of the Board of Trade); Sir Charles

Hambro, K.B.E., M.C. (Director of the Bank of England); Sir Edward Playfair, K.C.B. (Permanent Secretary to the Ministry of Defence); Sir Edward Wilshaw, K.C.M.G., D.L., J.P. (Governor of Cable and Wireless (Holding) Ltd); The Hon. Gavin Astor (Chairman of The Times Publishing Co Ltd); and Mr H. C. Treffers (President of the Nederlands Instituut van Accountants).

*January 25th, 1961.* Lord Nelson of Stafford (Chairman and Managing Director of the English Electric Co Ltd); Lord Plowden, K.C.B., K.B.E. (Chairman of the British Aluminium Co Ltd); Lord Sinclair of Cleve, K.C.B., K.B.E. (Chairman of the Finance Corporation for Industry); Sir Hugh Beaver, K.B.E. (Director of companies); Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A. (a past president of the Institute); Sir Frank Lee, G.C.M.G., K.C.B. (Joint Permanent Secretary to the Treasury); and Mr D. T. Hicks, O.B.E., T.D., D.L. (President of the Law Society).

### Visitors to Meetings of the Council

15. During the year the Council was pleased to welcome at its meetings:

Mr J. S. Seidman, immediate past president of The American Institute of Certified Public Accountants, and Mr Arthur B. Foye, past president of that Institute.

Mr Brian W. S. O'Connell, F.C.A., President of The Rhodesia Society of Accountants.

### Membership Changes

16. The number of new members admitted during the year 1960 was 1,644 including 539 admitted under the Scheme of Integration (18 members of The Society of Incorporated Accountants, 2 former members of the Society and 519 students of the Society). Twelve former members of the Institute resumed membership through revocation of exclusion and 2 through re-admission after resignation. Under clause 22 of the supplemental Royal Charter 29 members were excluded (24 of them for non-payment of subscription) and one member was suspended from membership for a period of one year. The resignations of 61 members and the deaths of 279 members were reported.

17. During the year 1960 nine applications for revocation of exclusion from membership were refused. One application from a former member of The Society of Incorporated Accountants for admission to membership under clause 5 of the Scheme of Integration was refused.

18. The admission of 6 members became void under bye-law 41 through non-payment of the admission fee. Three of them were later admitted and are included in the total of 1,644 in paragraph 16 above. The other three did not make a further application in 1960.

19. The number of members of the Institute on January 1st, 1961, was 33,867 compared with 32,579 on January 1st, 1960, an increase of 1,288. The changes are shown in a statement in the Appendix.<sup>1</sup>

### Fellowship

20. During the year 1960 the number of associates elected to fellowship on the basis of five years' practice was 165 (compared with 253 in 1959). 896 associates automatically became fellows on January 1st, 1961.

### Use of the letters F.S.A.A.

21. Sixty-three incorporated accountant members A.S.A.A. automatically became incorporated accountant members F.S.A.A. on January 1st, 1961.

### Incorporated Accountant Members becoming Associates

22. During the year 1960 the Council approved applications from 5 incorporated accountant members eligible to

<sup>1</sup> Not reproduced.



become associates in accordance with clause 6 of the Scheme of Integration.

### List of Members 1961

23. The 1961 *List of Members* will be published in mid-May. Distribution to those members who completed the business reply card stating that they wished to have a copy will commence immediately on publication and continue during June. Normally the distribution of the List would have commenced in March; the delay is due to changes in the style of the alphabetical section (resulting in a considerable saving in the number of pages) and rearrangement of the entries in the topographical section for members practising in the 'outer' London area. (Later in 1961 members will receive request cards for the 1962 List.)

### Members' Handbook

24. Since the last report the following supplements to the *Members' Handbook* have been issued:

*Supplement No. 7*, issued on November 16th, 1960, containing:

Additions to sections E and P.

Section N22, the new Recommendation dealing with *Treatment of Stock-in-trade and Work in progress in Financial Accounts*.

*Supplement No. 8*, issued on December 15th, 1960, containing an amendment to section P, being a new Council statement on remuneration of practising members.

25. There is still much material to be issued before the handbook can be regarded as complete. Work on the compilation of new sections will be resumed when the volume of Council and staff work permits. In addition, the existing sections will be kept up to date.

26. Members are reminded that they may purchase (price 2s, including postage) a 'temporary container' for use when a member desires to take away from his office a particular section of the handbook, such as the Recommendations on Accounting Principles. It is also useful for accommodating temporarily a new supplement for reading before it is inserted in the appropriate parts of the handbook.

### Disciplinary Action

27. Details are given in the Appendix<sup>1</sup>, of the findings and decisions of the Disciplinary Committee, and where applicable of the Appeal Committee, since the last report, on formal complaints preferred by the Investigation Committee in accordance with its duty under bye-law 105. The findings and decisions have been or will be published in *Accountancy* and *The Accountant*.

### Professional Conduct

28. The following statement was authorized by the Council at its meeting on April 6th, 1960, and published in *Accountancy* for April 1960 [and *The Accountant* of April 16th, 1960]:

#### Advertisements for staff

'A considerable number of inquiries has been received at the Institute as to the propriety of the insertion by members or their firms under their own names of Press advertisements for staff which are presented in such a manner that in giving particulars of the duties for which applicants are required the advertisements could be considered to approach closely to advertising the activities of the members of their firms.

'The Council recognizes that the attraction of suitably qualified staff of necessity requires adequate description of the functions to be performed and that, particularly in times of intense competition for accountancy staff by commercial concerns, this description can only be

effective in advertisements for staff if they are made in terms and printed in type which will attract the attention of appropriate applicants. At the same time the Council considers that the size of advertisements should be kept within modest dimensions and that the name and address of the member or firm should be printed in unobtrusive type. In other words the Council emphasizes that an advertisement for staff either for the member's own office or on behalf of clients should conform to professional standards of good taste and that its form and contents should not be such as to warrant a suggestion that it is a method of bringing the activities of the member or firm concerned to the notice of the public.

'This statement is in amplification of the Council statement reproduced in the *Members' Handbook*, Section E3, paragraph 1 (3) (a) and (b).'

This statement has since been printed for insertion in section E of the *Members' Handbook* and distributed as part of Supplement No. 7 thereto.

29. The following statement was authorized by the Council at its meeting on November 2nd, 1960, and published in *Accountancy* for November 1960 [and *The Accountant* of November 12th, 1960]:

#### Consultants

'The Council is aware that members of the Institute have been invited to accept positions in organizations which advertise their services as consultants or advisers in management, costing methods, business organization and methods. No practising member of the Institute is permitted to advertise such services, and no organization which is included in the Register of Management and Industrial Consultants maintained by the British Institute of Management is permitted to advertise its services. Members are reminded that in the light of the Council statement in the 1947 Annual Report under the heading "Consultants" (*Handbook E3*, paragraphs 4 and 5) they render themselves liable to disciplinary action if they accept employment with such organizations which advertise their services.'

### Honours and Decorations

30. The Council congratulates the following members who have received honours and decorations since the last report:

K.B.E.

A. H. Norris, O.B.E., F.C.A.

C.B.E.

E. F. Madams, F.C.A., E. Parker, O.B.E., F.C.A., Group Capt. J. F. Roberts, O.B.E., F.C.A., R. L. Wyllie, D.L., J.P., F.C.A.

O.B.E.

W. L. Bloomfield, F.C.A., H. A. Bradford, F.S.A.A., F. H. Davey, F.C.A., J. F. Greaves, F.C.A., P. R. Lindley, F.C.A., E. S. Newson, F.S.A.A., D. L. V. Rowe, M.C., F.C.A., G. Theaker, F.C.A.

M.B.E.

E. W. Raby, F.S.A.A., J. E. Scurrah, F.C.A.

T.D.

R. G. Wilkes, F.C.A.

In the last report the name of Mr G. C. Cann, F.C.A., was inadvertently omitted from the M.B.E. list.

### National Public Service

31. Since the last report the following members have accepted appointments of national importance. The list does not include numerous appointments of importance in local or regional spheres of public service:

<sup>1</sup> Not reproduced.

Member	Appointment
Mr E. BALDRY, O.B.E., F.C.A.	By the Minister of Aviation, to membership of the Air Transport Licensing Board.
Mr C. J. M. BENNETT, B.A., F.C.A.	By the Governor of Fiji, to membership of a commission of inquiry set up to examine and report on the organization, operation, economic position and prospects of the sugar industry in Fiji and on the advisability of establishing a statutory sugar board.
Mr H. A. BENSON, C.B.E., F.C.A.	By the Minister of Transport, to membership of an advisory body to examine the structure, finance and working of the organizations controlled by the British Transport Commission and to advise the Minister and the Commission, as a matter of urgency, how effect can best be given to the Government's intentions. By the Treasury to membership of the tribunal set up under the Prevention of Fraud (Investments) Act, 1958, for a further period of three years.
Mr H. W. BURRELL, F.C.A. Mr H. H. DRAYCOTT, F.C.A. Mr E. N. MACDONALD, D.F.C., F.C.A. Mr J. MAXWELL, F.C.A. Mr J. D. RUSSELL, M.A., F.C.A. Mr J. E. TALBOT, F.C.A. Mr J. L. WOOD, T.D., F.C.A.	By the Treasury, to membership of the Board of Referees.
Col. D. H. CAMERON OF LOCHIEL, T.D., D.L., B.A., J.P., F.C.A.	By Her Majesty the Queen, as a Crown Estate Commissioner for a further period of three years under the Crown Estate Act, 1956.
Sir WILLIAM CARRINGTON F.C.A. Sir RICHARD YEABSLEY, C.B.E., F.C.A.	By the Lord Chancellor, to membership of the tribunal constituted for the purposes of Section 28 of the Finance Act, 1960, for a period of three years ending December 1st, 1963.
Mr J. T. CORBETT, F.C.A.	By the Secretary of State for War, as chairman of a committee to investigate the relationship between the Services and the Navy, Army and Air Force Institutes following the abolition of national service.
The Rt. Hon. the Viscount DE L'ISLE, V.C., P.C., D.L., M.A., F.C.A.	By the Prime Minister, as a trustee of the National Portrait Gallery for a further period of seven years.
Mr S. A. S. FORSTER, C.B.E., D.G.L., J.P., F.C.A. Sir RICHARD YEABSLEY, C.B.E., F.C.A.	By the Board of Trade, to membership (Mr Forster as chairman) of the Industrial Estates Management Corporation for England.
Dr A. H. MARSHALL, C.B.E., B.Sc.(ECON.), PH.D., F.S.A.A.	By the Secretary of State for the Colonies, to membership of a commission to consider the future form of government best suited to Uganda.
Mr S. JOHN PEARS, F.C.A.	By the Minister for Science, to part-time membership of the United Kingdom Atomic Energy Authority.
Sir JULIAN PODE, F.C.A.	By the Minister for Science, to membership of the committee set up to examine the nature, sources and effects of the problem of noise and to advise what further measures can be taken to mitigate it.
Mr F. E. PRICE, F.C.A.	By the Board of Trade, to membership of the Industrial Estates Management Corporation for Wales.
Mr J. F. SHEARER, O.B.E., F.C.A.	By the Lord Chancellor, to membership of the Advisory Committee constituted under the provisions of the Legal Aid and Advice Act, 1949.

### Council Nominations to Other Bodies

32. *Trustee Savings Banks Inspection Committee.* On April 6th, 1960, the Council appointed Mr W. G. Densum, F.C.A., to be a member of the Trustee Savings Banks Inspection Committee for the period May 21st, 1960, to November 20th, 1961, in succession to Mr G. R. Freeman, C.B.E., F.C.A.

33. *Joint Committee for the Award of National Certificates in Business Studies.* On July 6th, 1960, the Council nominated Mr P. F. Carpenter, F.C.A., to represent the Institute on the Joint Committee for the award of National Certificates in Business Studies.

34. *Advisory Council for Education for Management.* On December 7th, 1960, the Council nominated Mr W. W. Fea, B.A., F.C.A., to represent the Institute for a period of three years as from January 1st, 1961, on the Advisory Council for Education for Management which the Minister

of Education has set up jointly with the Secretary of State for Scotland and the Minister of Education for Northern Ireland.

35. *British Standards Institution.* Mr J. D. Green, F.C.A., has been nominated as the Institute's representative on the Data Processing Industry Standards Committee of the British Standards Institution.

### Library

36. *Activity.* The following figures show the extent to which the library has been used in recent years:

Year	Attendances	Books lent
1956	9,339	4,513
1957	9,375	4,459
1958	11,295	6,783
1959	12,332	6,710
1960	12,143	6,922

37. *Short List.* A supplement dated March 1960 to the *Short List* of books in the Library has been issued and replaced by a second cumulative supplement dated August 1960. The current edition of the *Short List*, dated August 1959, and the current supplement are available to members, without charge, from the Librarian on receipt of an addressed label. The *Short List* is sent to each new member on admission.

38. *New reference room.* The new library reference room on the ground floor at Moorgate Place was formally opened by the President on November 2nd, 1960.

39. *Collection of early books.* The following books were added during the year to the Institute's collection of early books:

Paxi (Bartholomeo Di): *Qui Commincia la Utilissima . . . Venice. 1503.*  
(bound with)

Borghi (P.): *Libro de Abacho. 1501.*

Browne (J.): *The Merchants avizo . . . very necessary for their sonnes and servants, when they first send them beyond the sea, as to Spaine and Portingale . . . 1616.*

Pacioli (Luca) ed: *Euclidis megarensis philosophi acutissimi mathematicorum . . . Lucas Paciolus . . . Paganino de Paganini. Venice. 1509.*

### Appointments Register

40. The number of members who made use of the appointments register in 1960 showed a further appreciable fall compared with the previous year while the number of those placed through the register during the year was also less than in 1959. The number of vacancies notified by employers continued to show a very wide demand for young members. Assistance in finding employment for older members is always welcome. Members are particularly requested to bring the facilities provided through the register to the notice of prospective employers.

### Deaths of Members

41. The deaths of two members of the Council are recorded in paragraph 4. The Council also records with regret the death of a former member of the Council, Mr Charles William Boyce, C.B.E., F.C.A., Bradford, a member of the Council from 1935 to 1957 and President for the year 1951-52. The deaths of other members of the Institute are recorded in the Appendix.<sup>1</sup>

### Institute Examinations in 1960

42. Examinations were held in May and November 1960, the Preliminary examination in London and Manchester and the Intermediate and Final examinations in London, Birmingham, Cardiff, Leeds, Liverpool, Manchester and Newcastle upon Tyne; in addition the May 1960 Intermediate examination was held at Leicester and the

<sup>1</sup> The names are not reproduced.

November 1960 Intermediate examination at Bristol and Nottingham. The following were the results:

	Passed	Failed	Total Candidates	Comparative totals 1959
Preliminary ..	146	332	478	415
Intermediate ..	1,923	2,261	4,184	3,413
Final ..	1,439	1,553	2,992	2,548
Totals ..	3,508	4,146	7,654	6,376

The Council wishes to place on record its appreciation of the administrative work undertaken by district societies in connection with the holding of examinations.

### Final Examination of the Society

43. Examinations were held in May and November 1960 in London, Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, Manchester and Newcastle upon Tyne; and the South African Special Final examination was held in South Africa and Southern Rhodesia. The following were the results obtained by candidates for membership of the Institute:

	Passed	Failed	Total
Final			
Parts I and II together ..	2	1	3*
Part I only .. .. .	40†	35	75
Part II only .. .. .	217†	109	326
South African Special Final ..	32	1	33

† In addition to the 217 who have completed the Final examination by passing Part II, 1 of the 40 successful candidates in Part I had already passed Part II and has therefore now completed the Final examination.

\* In addition, 3 candidates who sat for both parts passed in Part I only.

44. The Final examination of The Society of Incorporated Accountants will be held for the last time in November 1961. No student will be permitted to present himself on that occasion for one part only of the examination if he has not previously passed the other part. An announcement to that effect was issued by the Council at its meeting on October 5th, 1960.

### Examination Prizes and Certificates of Merit

45. The names of the candidates awarded prizes and certificates of merit in the Institute's examinations held in 1960 are given in the Appendix.<sup>1</sup> Prizes and certificates of merit were presented by the President at special ceremonies in the Oak Hall attended by relatives and friends of the candidates. On these occasions the visitors were given the opportunity of seeing the Council Chamber, the Committee Room and the Library at Moorgate Place and were entertained afterwards at an informal tea.

### Examination Fees

46. At its meeting on November 2nd, 1960, the Council announced that, commencing with the May 1961 examinations, the following examination fees will be payable (the fees previously payable are shown in *italics*):

Institute	£	s	d	£	s	d
Preliminary examination ..	5	5	0	(4	4	0)
Intermediate .. .. .	6	6	0	(5	5	0)
Final examination .. ..	8	8	0	(7	7	0)
Society Final examination						
Both parts taken together	8	8	0	(7	7	0)
Either part taken separately	4	4	0	(4	4	0)

### Exemption from the Preliminary Examination

47. *Bye-law 78.* Certificates of exemption from the Preliminary examination were issued during the year 1960

to 3,067 persons who had passed exempting examinations, compared with 2,613 in the previous year.

48. *Conditions for exemption under bye-law 78.* The Council announced in May 1960 that where passes in the general certificate of education examination have been awarded by different examining bodies these will be accepted, under the exemption requirements, as having been obtained at one sitting provided the examinations were held in the same term; previously, such passes were regarded as having been awarded at separate sittings. In October 1960 the Council announced that it had decided to recognize on the same basis as passes at ordinary level in the general certificate of education examination, passes at ordinary level in the Scottish certificate of education examination (which is to be held from 1962 onwards in place of the Scottish leaving certificate examination) except that a pass at ordinary level in arithmetic will not be accepted either as the compulsory mathematical subject or as an additional optional subject.

49. *Bye-law 79.* Exemption from the Preliminary examination was granted during the year 1960 to 37 applicants under bye-law 79. (The number of applications granted in 1959 was 15.) This bye-law relates to persons, not being under the age of thirty years, who at the date of application, had been for ten years continuously in employment as clerk to a member or members in practice.

### Education and Training Committee

50. The Education and Training Committee, appointed under the chairmanship of Mr W. E. Parker, C.B.E., F.C.A., in August 1958, presented its report to the Council in April 1961. The report will be considered in detail by the Council in due course. Meanwhile it is being published for information and comment.

### Articles of Clerkship

51. *Registrations.* During the year 1960 the number of articles of clerkship registered was 2,992 compared with 2,680 in 1959.

52. *Suitability of practice for taking articulated clerks.* The Council has again had to consider whether the practices of some members are suitable for the purpose of taking articulated clerks; in consequence certain members have been notified that the Council has exercised its discretion under bye-law 50 to refuse to register articles lodged for registration so as to restrict to fewer than four the number of articulated clerks permitted to those members.

53. *Permitted number of articulated clerks.* The principles on which the Council deals with applications under bye-law 56A for additional articulated clerks were set out in the report for 1957 (paragraph 67<sup>2</sup>). Since bye-law 56A came into operation on November 2nd, 1957, applications have been granted to partners in 47 firms, resulting in the allowance of 705 additional articulated clerks of whom 248 have been allowed on the basis of partners who are members of The Institute of Chartered Accountants of Scotland or The Institute of Chartered Accountants in Ireland and the remaining 457 on the basis of qualified employees.

54. *Prescribed clauses.* One application was received and granted during the year 1960 for permission to waive the inclusion of certain provisions prescribed under bye-law 51 for inclusion in all articles. (In 1959 two applications were made of which one was granted.)

55. *Bye-law 58 (c).* Applications were granted during the year 1960 under bye-law 58 (c) in respect of 31 articulated clerks wishing to spend periods not exceeding six months in an industrial, commercial or other suitable organization. One application was refused. (Forty-one applications were approved in 1959.)

56. *Service under articles in Scotland and Northern Ireland.* As stated in the last report (paragraph 57) the Council has

<sup>1</sup>Not reproduced.

<sup>2</sup>See *The Accountant* of April 26th, 1958, page 493.

accepted in principle that service under articles should be permitted to members in practice in Scotland and in Northern Ireland and there have been satisfactory discussions with The Institute of Chartered Accountants of Scotland and The Institute of Chartered Accountants in Ireland. A resolution for the necessary alterations to the Royal Charters and bye-laws will be proposed at a special meeting of members to be held on May 3rd, 1961, at the conclusion of the annual meeting. Details are given in the notice convening the meeting.

57. *Refusal to register articles of clerkship.* Two persons submitted examination certificates which they had altered with the object of obtaining exemption from the Preliminary examination. Each was informed that the Council would refuse to register articles of clerkship to which he may be a party.

58. *Significance of the contract of articles.* Since February 1961 there has been sent to each successful applicant for exemption from the Preliminary examination and to each candidate who passed the Preliminary examination a letter drawing attention to the significance of the contract of articles. The text of the letter is reproduced in the Appendix.<sup>1</sup> It is proposed that each principal shall be informed of the terms of this letter when articles are returned after registration.

### Conduct of Articled Clerks

59. *Dishonesty of an articled clerk.* An articled clerk who kept for his own use money which should have been used to pay the wages of employees of a client of the principal was discharged by the principal from service under articles. The clerk was informed that the Council will exercise its power under bye-law 50 to refuse to register any new articles to which he is a party.

60. *Breach of covenants in articles.* Articles of clerkship provide that if the articled clerk shall be absent without leave, otherwise than by reason of illness, for a period of one month the principal shall be entitled to discharge the articled clerk. On two occasions where clerks have been absent without permission the Council has informed all parties that service under the articles had been regarded as terminated and that the Council will exercise its power under bye-law 50 to refuse to accept any new articles submitted for registration at any future date by or on behalf of the clerk unless a full and satisfactory explanation of the circumstances is offered to, and accepted by, the Council.

61. *Transfer of articles.* The following statement was authorized by the Council at its meeting on November 2nd, 1960, and published in *Accountancy* for November 1960 [and *The Accountant* of November 12th, 1960]:

*'Conduct of the articled clerk and the transferee principal.* Articles are entered into with intent that they will bind the parties for the prescribed period. By agreement between all the parties articles may be transferred to a new principal, subject to their acceptance for registration by the Council, but the Council wishes it to be known that an articled clerk who endeavours to obtain a transfer of his articles without the written consent of his principal may render himself liable to proceedings before the Disciplinary Committee.

*'A member who enters into negotiations for articles with a clerk who is articulated to another member may render himself liable to a complaint of discreditable conduct unless he knows that the clerk's principal has given his written consent to the clerk to seek a transfer. A member will also render himself liable to such a complaint if he advertises that he is willing to accept a transfer of articles of an articled clerk.*

*'The Secretary of the Institute is available to give advice to any party to articles on matters relating to articulated service.'*

### Concessions to Former Regular Officers

62. The Council has power under bye-law 63 to grant certain concessions and exemptions to 'any person who purposes to become a candidate for admission and who during war or any other period of national emergency has served or is serving in His Majesty's Forces or has been or is engaged in any other whole-time national service'. In the expectation that, among regular officers being released from the Forces, there may be men who would wish to qualify as members, the Council resolved to exercise its powers under the bye-law in the manner set out in a statement published in *Accountancy* for February 1961 [and *The Accountant* of February 11th, 1961].

63. Bye-law 63 at present requires that the national service shall have been during war or any other period of national emergency. A resolution to amend the bye-law by removing this requirement will be proposed at a special meeting of members to be held on May 3rd, 1961, at the conclusion of the annual meeting. Details are given in the notice convening the meeting.

### Recruitment of Articled Clerks

64. Since the last report efforts have been continued, centrally and through the district societies, to encourage young people to enter articles. New editions of the booklets *Why Not Become a Chartered Accountant?* and *The Chartered Accountant: A Career for Graduates* have been published and distributed widely to schools and universities and at careers exhibitions.

65. The head teachers and careers advisers of public and grammar schools in England and Wales received in May 1960 a letter drawing attention to the arrangements whereby advice and assistance can be provided by the Secretary of the Institute and by the district societies. A new departure on this occasion was the inclusion of a list of the names of some sixty members of the Institute in all parts of England and Wales who had been nominated by district societies to give advice and to act on behalf of local members. It is proposed to distribute an up-to-date list in May 1961 and the opportunity will be given to district societies to extend the scope of the list.

66. In 1960 there were again over 700 interviews by appointment at the Institute in connection with introductions for prospective articled clerks. Nearly 400 clerks were placed directly by the Institute in London and many of the remainder made their own arrangements for articles. Inquiries from the provinces were passed to the district society or branch concerned.

67. Information released by the public schools confirms the popularity of accountancy as a career. Among some 10,000 leavers in the school year 1959-60, about one in twelve had decided to take up accountancy. There is a limit to the extent to which this proportion can be still further increased. By contrast, the rapid rise in the undergraduate population provides considerable scope for recruitment and efforts in this direction have been continued. The policy of the Council is to encourage the entry of graduates into the profession and the Secretary is pleased to hear from members who are willing to offer articles to university graduates.

68. The Institute continues to maintain a register of members who have indicated that they will take overseas students as articled clerks. These members are given particulars when desired of overseas students who are available for interview and have informed the Institute of their wish for an introduction to a member. There has recently been a substantial increase in the number of overseas students travelling to the United Kingdom to qualify and the registration of articles suggests that many more members than are registered with the Institute have been willing to offer articles to them. In view of the difficulties which are inevitably encountered in conducting negotiations before a student leaves his home, such members are invited to consider the advantages of availing themselves

<sup>1</sup> Not reproduced.

of the service provided by the Institute. An explanation of the procedure followed by the Institute was sent in April 1960 to the district societies and the students' societies. A letter on this subject from the Secretary was published in *Accountancy* and *The Accountant* in February 1961.<sup>1</sup>

69. The district societies have been encouraged to give appropriate local publicity during Commonwealth Technical Training Week (May 29th to June 4th, 1961) to the opportunities which a career as a chartered accountant offers to the young man or woman leaving university or school.

70. The method of personal contact on which the Council has relied to attract young people to the profession has entailed the expenditure of much time and energy by individual members throughout the country. The Council again wishes to record its thanks to members for their services and to express the hope that others who are willing to help will inform the honorary secretary of their district societies.

#### Bye-laws 61 and 85 (b)

71. Bye-laws 61 and 85 (b) relate to those persons who have for not less than ten years been continuously in employment as clerks to members in practice or who have had experience which in the opinion of the Council is equivalent to such employment. Such persons may apply for a reduction in the period of service under articles (bye-law 61) and exemption from the Intermediate examination (bye-law 85 (b)). Applications determined in 1960 were as follows:

*Bye-law 61:* forty-six applications, of which forty-two were granted. (In 1959 the numbers were twenty-five and twenty-two respectively.)

*Bye-law 85 (b):* twenty-seven applications, of which thirteen were granted. (In 1959 the numbers were fourteen and seven respectively.)

All these applicants were interviewed in London or in the provinces unless they had already been interviewed in connection with an application under bye-law 79 (see paragraph 49).

#### The Universities and the Accountancy Profession

72. *Exemptions granted under bye-law 85 (a).* Exemption from the Intermediate examination was granted during the year 1960 to 132 articulated clerks who had graduated after taking one of the degree courses approved for the purposes of bye-law 62. Three applications were refused. (The number of exemptions granted in 1959 was 75.) At its meeting on March 1st, 1961, the Council issued a statement<sup>2</sup> to the effect that an articulated clerk who has been granted exemption from the Intermediate examination under bye-law 85 (a) will not be permitted to sit for that examination and an articulated clerk who has failed the Intermediate examination will not be granted exemption under bye-law 85 (a).

73. *'The Universities and the Accountancy Profession.'* Details of the degree courses approved by the Council under bye-law 62 are given in the booklet *The Universities and the Accountancy Profession* issued by the joint standing committee. The current edition dated April 1960 covers the university sessions October 1961 to July 1962 and October 1962 to July 1963.

74. *Explanatory booklet.* The Institute's booklet *Approved Universities Degree Courses: Explanatory Notes* was revised and reprinted in April 1960. This booklet explains the Institute's regulations regarding articles and examinations as they affect the joint standing committee's scheme.

#### Students' Societies

75. *The importance of students' societies.* Following the publication in 1959 of the Council statement on *The Place*

*of the Students' Societies in the Education of Articled Clerks*, extracts from the statement have been incorporated in a leaflet *The Importance of Students' Societies* which also sets out the rights and duties of principals and articulated clerks. Each newly-articled clerk and his principal receives a copy of the leaflet when articles are returned after registration.

76. *Union of Chartered Accountant Students' Societies.* The customary discussion by the President and certain members of the Council with a liaison committee of the Union of Chartered Accountant Students' Societies took place on March 7th, 1961, when there was a useful exchange of views on matters of interest to articulated clerks.

#### Anderson Committee on Grants to Students

77. In the report for 1958 (paragraph 73 and Appendix, page 80) reference was made to a memorandum of evidence submitted to the committee set up by the Ministry of Education under the chairmanship of Sir Colin Anderson to consider the system of awards from public funds to students attending first degree courses at universities and 'comparable courses at other institutions'. The Anderson Committee has made its report and certain paragraphs thereof indicate that award-making bodies may make grants towards the educational expenses of articulated clerks. The Council announced in July 1960 that it had decided to draw the attention of the district societies and students' societies to the report of the Anderson Committee in relation to grants. Evidence has been received that articulated clerks have since made successful applications for assistance.

#### Summer Courses

78. 1960. The fourteenth summer course, held at Christ Church and Pembroke College, Oxford, from September 15th to 20th, 1960, was attended by 280 members of whom 176 were in practice, 27 were engaged in industrial, commercial and other occupations and 77 were engaged with public accountants. The addresses presented were as follows: 'Auditing: the purpose and its attainment', by Mr D. D. Rae Smith, M.C., B.A., F.C.A.; 'The organization of a practising accountant's office', by Mr J. Perfect, F.C.A.; and 'Retirement benefit schemes', by Mr J. H. H. Nuttall, F.C.A. In addition informal talks were given by The Rt. Hon. Ernest Marples, P.C., M.P., F.C.A., Minister of Transport, and by Sir Joseph Simpson, K.B.E., Commissioner of Metropolitan Police. The full text of the three formal addresses, together with the programme for the course, was subsequently reprinted in the form of a booklet for which an order form was sent to all members of the Institute on November 16th, 1960. The price of the booklet is 5s post free.

79. 1961. The fifteenth Oxford summer course is to be held at Christ Church from Thursday July 13th to Tuesday, July 18th, 1961. A summer course is also to be held in 1961 at Gonville and Caius College, Cambridge, from Wednesday, September 13th, to Sunday, September 17th, 1961. The subjects and speakers at the Oxford course will be: 'Services to the private company and its members', by Mr A. B. Snow, F.C.A.; 'Surtax and companies', by Mr J. S. Heaton, F.C.A.; 'The problems of a group upon the acquisition of companies', by Mr R. O. A. Keel, F.C.A. The subjects and speakers at the Cambridge course will be: 'The employment of capital', by Mr J. C. Walker, F.C.A.; 'Some considerations in relation to the accounting treatment of stock-in-trade and work in progress', by Mr H. W. Sydenham, F.C.A.; 'What the business man expects of the practising professional accountant', by Sir Donald Perrott, K.B.E. An informal talk will be given to the Oxford course by Sir Theobald Mathew, K.B.E., M.C., Director of Public Prosecutions. Mr John L. Carey, Executive Director of The American Institute of Certified Public Accountants, will attend the Oxford course and take part in a Sunday evening discussion before the whole course with the Secretary of the Institute. An application form was sent to members of the Institute on February 21st, 1961.

<sup>1</sup> February 18th, 1961, issue.

<sup>2</sup> See *The Accountant* of March 11th, 1961, page 301.

80. *Future courses.* Provisional arrangements have been made for summer courses to be held in Oxford in the next few years as follows:

1962	..	..	September 13th to 18th.
1963	..	..	July 11th to 16th.
1964	..	..	September 10th to 15th.
1965	..	..	July 15th to 20th.
1966	..	..	September 15th to 20th.

### District Societies of Chartered Accountants

81. *President's visits.* The President, with the Secretary, has attended annual dinners or other annual functions of the district societies and has accepted invitations to meet students during his visit. Members of the Council have represented the Institute at dinners and other functions held by branches and students' societies.

82. *Annual conference.* The annual meeting of representatives of district societies and representatives of the Council took place on November 8th, 1960. The meeting again provided an opportunity for a useful informal discussion on many matters of importance and interest.

83. *New branch.* Mr D. V. House, F.C.A., a past president of the Institute, attended with the Secretary at the inauguration of the Huddersfield Branch of the Leeds, Bradford and District Society on January 11th, 1961.

84. *Grants.* A grant of £2,500 was again made to the London and District Society. Grants to the other district societies have been based upon their membership (paragraph 84 of the last report<sup>1</sup>) and additional grants in respect of the cost of premises were made to six societies. A special grant of £100 was made to the Bristol and West of England Society on behalf of the library of the Cornwall and Plymouth branch of that society.

85. *London and District Society of Chartered Accountants.* The Council appointed Mr D. V. House, F.C.A., Mr H. L. Layton, M.S.M., F.C.A., and Mr J. H. Mann, M.B.E., M.A., F.C.A., to serve on the Committee of the London and District Society of Chartered Accountants for the year 1960-61.

86. *Women Chartered Accountants' Dining Society.* The President and the Secretary, accompanied by Mrs Pears and Mrs MacIver, attended the annual dinner of the society on December 2nd, 1960.

87. *Meeting of honorary secretaries.* An informal meeting of honorary secretaries of district societies, attended by the Secretary and an Under-Secretary, took place at Birmingham on February 10th, 1961. This was the first meeting held since 1954 and provided a valuable opportunity for the discussion of a number of administrative problems common to district societies.

### Remuneration of Practising Members

88. At its meeting on November 2nd, 1960, the Council decided to issue a revised statement on remuneration of practising members. The statement was published in *Accountancy* for November 1960 [and *The Accountant* of November 12th, 1960] and on December 15th, 1960, it was issued to members as Supplement No. 8 to the *Members' Handbook*.

### Technical Activities Committee

89. In the last report (paragraph 10) the Council announced the appointment of a Technical Activities Committee to review the whole question of the Institute's activities in the technical field and to report with recommendations on (a) objectives, (b) how those objectives can be achieved, and (c) the associated problems of staff and office accommodation. The committee has not yet completed its consideration of these matters.

### Recommendations on Accounting Principles

90. Recommendation 22, *Treatment of Stock-in-trade and Work in Progress in Financial Accounts*, which replaces Recommendation 10 in the series of Recommendations on Accounting Principles, was distributed to members on November 16th, 1960, as part of Supplement No. 7 to the *Members' Handbook*. The Recommendation with a press notice thereon was released to the Press for publication on and after November 18th, 1960, and was the subject of a Press conference held on November 16th, 1960. The Recommendation has also been printed as Supplement No. 2 to the loose-leaf publication *Recommendations on Accounting Principles*; copies of the supplement may be purchased from the Institute at the price of 1s including postage. The price of the complete loose-leaf publication, containing all current Recommendations up to and including 22, is 10s including postage.

### Taxation

91. *Finance Act, 1960.* A memorandum (Appendix, page 86<sup>2</sup>) on the Finance Bill was submitted to the Chancellor of the Exchequer on May 12th, 1960, and was discussed with members of the Board of Inland Revenue on May 19th, 1960, when the Institute was represented by Sir William Carrington, F.C.A., Mr C. M. Strachan, O.B.E., F.C.A., Mr J. E. Talbot, F.C.A., and Mr G. H. Vieler, F.C.A., with the Secretary to the Taxation and Research Committee.

92. *Finance Bills: Explanatory Memoranda.* The President has sent a letter to the Chancellor of the Exchequer requesting him to reconsider the question of publishing with each Finance Bill an explanatory memorandum setting out briefly the intention of the various clauses.

93. *Apportionment of expenditure on repairs and improvements of fixed assets.* At its meeting on February 1st, 1961, the Council authorized the sending of a letter to the Chancellor of the Exchequer urging amendment of income tax law so as to permit a due apportionment of expenditure consisting partly of repairs and partly of improvements to the fixed assets of businesses.

94. *Recommendations of the Royal Commission on the Taxation of Profits and Income.* At its meeting on January 4th, 1961, the Council authorized the sending of a letter to the Chancellor of the Exchequer referring to the Council's memorandum dated February 6th, 1957 (in which the Council gave its views on the order of priority for the implementation of the recommendations of the Royal Commission on the Taxation of Profits and Income), and drawing his attention to the fact that there are still changes recommended by the Royal Commission to which the Council attaches the highest priority but which have not yet been the subject of legislation. The letter also referred to the Council's memorandum dated December 2nd, 1959, containing suggestions for the extension and amendment of the Finance Act, 1957, as regards overseas trade corporations.

95. *Partnership assessments.* At its meeting on December 7th, 1960, the Council authorized the publication of a statement<sup>3</sup> containing the terms of the indemnity which it is the practice of the Inland Revenue to ask partners to sign before Form 329 will be supplied.

96. *Retirement annuities.* In the last report (paragraph 96) the Council recorded that representations were made in November 1959 to the Chairman of the Board of Inland Revenue for removal of an anomaly in Section 23 (3) of the Finance Act, 1956, in that a taxpayer had to wait for a late assessment before paying a premium which could be related back to the year of assessment and the delay might result in loss of pension benefit which could have been obtained by earlier payment. The matter was discussed at a meeting with a member of the Board on January 8th, 1960, at which

<sup>1</sup> Not reproduced.

<sup>2</sup> See *The Accountant* of December 17th, 1960, page 783.

<sup>3</sup> See *The Accountant* of April 23rd, 1960, page 499.



the Institute was represented by Mr H. A. Benson, C.B.E., F.C.A., and Mr J. E. Talbot, F.C.A., with the Deputy Secretary. The Council is pleased to record that the anomaly was removed by Section 41 of the Finance Act, 1960.

97. *Notices of assessment: Schedule D.* The memorandum submitted by the Council to the Chairman of the Board of Inland Revenue regarding the form of assessment notices under Schedule D (referred to in paragraph 95 of the last report) was discussed at a meeting on November 3rd, 1960, with representatives of the Inland Revenue at which the Institute was represented by Mr J. E. Talbot, F.C.A., Mr N. B. Hart, O.B.E., T.D., D.L., M.A., LL.B., Mr S. Kitchen, F.C.A., and Mr E. K. Wright, M.A., F.C.A., with an Assistant Secretary.

98. *Notices of assessment: Schedule E and Schedule A.* At its meeting on March 1st, 1961, the Council authorized the submission of a memorandum to the Chairman of the Board of Inland Revenue regarding the form of assessment notices under Schedule E and Schedule A.

99. *Schedule E: members' subscriptions to district societies.* After prolonged negotiations with the assistance of the district societies, the Council is pleased to report that ten of the provincial district societies have now been approved by the Commissioners of Inland Revenue for the purposes of Section 16 of the Finance Act, 1958. Applications by the remaining three societies have not yet been determined.

100. *Jersey income tax: allowance of Institute subscriptions.* At its meeting on January 4th, 1961, the Council received a report that the States Comptroller, Jersey, had approved the Institute for the purposes of Rule 2 of Case II of Schedule D of the Income Tax (Jersey) Law, 1937, as amended, so that the full amount of the annual subscription paid by a member who qualifies for relief under the Rule may, on application to the Comptroller, be allowed as a deduction from his emoluments assessable to Jersey income tax. All members with registered addresses in Jersey were so informed on December 5th, 1960. (The Rule referred to is similar to Section 16 of the United Kingdom Finance Act, 1958.)

### Company Law Committee

101. At its meeting on June 1st, 1960, the Council approved a memorandum<sup>1</sup> for submission to the Company Law Committee and at its meeting on February 1st, 1961, the Council approved a supplementary memorandum<sup>2</sup> for submission to the committee. Any member wishing to obtain these memoranda may do so, without charge, on application to the offices of the Institute. The current Council Recommendations on Accounting Principles have been formally submitted to the committee. On March 17th, 1961, Mr H. A. Benson, C.B.E., F.C.A., with the Vice-President, Mr P. F. Granger, F.C.A., and Sir Thomas Robson, M.B.E., M.A., F.C.A., gave oral evidence.

102. A letter from the Secretary regarding the practice of appointing firms, as opposed to individuals, as auditors of companies was published in *The Accountant* of July 23rd, 1960.

### Documents issued by Companies

103. At its meeting on December 7th, 1960, the Council authorized the publication of the following statement, which appeared in *Accountancy* for December 1960 [and *The Accountant* of December 17th, 1960]:

#### *Documents issued by companies in connection with 'rights' issues and similar matters*

'When companies send circulars to shareholders in connection with "rights" issues and similar matters, it is the usual practice to state on the documents: "If you do not fully understand this document you should consult your stockbroker, banker or solicitor". The Council has raised with the Stock Exchange, London, and the

Issuing Houses Association, the omission of any reference to accountants as persons to be consulted where advice is required. The Council is pleased to report that the Stock Exchange Committee on Quotations and the Executive Committee of the Issuing Houses Association have approved of the inclusion of "professional accountant" in the list of persons to be consulted. The Council therefore hopes that this practice will be adopted by companies issuing such documents.'

Copies of the statement were sent to all provincial stock exchanges.

### Building Societies

104. *Building Societies Act, 1960.* A memorandum dated April 27th, 1960,<sup>3</sup> was submitted on behalf of the Council to the Lord Privy Seal and Minister for Science drawing attention to certain matters arising on the Bill which has since become the Building Societies Act, 1960. The Council's submissions were discussed at a meeting at the Treasury on May 3rd, 1960, with officials of the Treasury, the Chief Registrar of Friendly Societies and the Executive Registrar, at which the Institute was represented by the Deputy Secretary. The Bill was amended during the Committee Stage in the House of Lords to give effect to the more important of the submissions made by the Council.

105. *Production of documents to the Chief Registrar.* In the House of Commons on July 5th, 1960, the Economic Secretary gave a reply to a question which is of importance to persons who act in a professional capacity and may be required under Section 8 of the Building Societies Act, 1960, to give information or to produce documents required by the Chief Registrar. The question and answer are reproduced in the Appendix.<sup>4</sup>

106. *Accounts and annual return.* The Chief Registrar of Friendly Societies adopted some of the suggestions made on behalf of the Council in connection with the drafting of the form of annual accounts and the form of annual return which have since been prescribed by him under the Building Societies Act, 1960.

107. *Appointment of firms as auditors.* In order to remove doubts the Council obtained confirmation from the Chief Registrar of Friendly Societies that he would not take objection to the appointment of a firm of accountants (all the partners of which are eligible under the Building Societies Act, 1960) as auditors of a building society, as distinct from the appointment of individuals. A statement to that effect was published in *Accountancy* for January 1961 [and *The Accountant* of January 14th, 1961].

108. *Audits of building societies.* At its meeting on December 7th, 1960, the Council approved a statement entitled *Audits of Building Societies* for the guidance of members who are auditors of building societies. The statement was reproduced in *Accountancy* for December 1960 [and *The Accountant* of December 24th, and 31st, 1960] and copies were sent on December 16th, 1960, to each member (or firm in which members are partners) known to be auditor(s) of a building society. Anyone wishing to obtain a copy may do so, without charge, on application to the offices of the Institute.

### Friendly Societies and Industrial and Provident Societies

109. At its meeting on November 2nd, 1960, the Council authorized the submission of a memorandum (Appendix, page 109)<sup>5</sup> to the Chancellor of the Exchequer drawing attention to the desirability of amending legislation relating to the annual accounts and audit of friendly societies and industrial and provident societies. The Financial Secretary to the Treasury has indicated that there is no immediate prospect of legislation to deal with these matters.

<sup>1</sup> Not reproduced.

<sup>2</sup> See *The Accountant* of July 16th, 1960, pages 78 and 98.

<sup>3</sup> Not reproduced.

<sup>4</sup> See *The Accountant* of July 2nd, 9th and 16th, 1960.

<sup>5</sup> See *The Accountant* of February 18th, 1961.



**The Charities Act, 1960**

110. A memorandum dated March 29th, 1960 (Appendix, page 111)<sup>1</sup>, was submitted to the Lord Chancellor on behalf of the Council drawing attention to certain matters arising on the Bill which has since become the Charities Act, 1960. At its meeting on March 1st, 1961, the Council authorized the sending of a letter to the Home Secretary requesting the withdrawal and replacement of The Charities (Statements of Account) Regulations, 1960.

**Executors'hip**

111. In view of difficulties experienced by a practising member in obtaining a grant of probate from his office address as distinct from his home address the Council has obtained confirmation from the Senior Registrar of the Principal Probate Registry that in the case of a grantee administering the estate in his professional capacity, such as a solicitor or a chartered accountant, the grantee's professional address alone may be accepted in the oath and bond and may appear in the grant.

**Decimalization of the Currency**

112. At its meeting on February 1st, 1961, the Council authorized the submission of a memorandum to the Chancellor of the Exchequer on decimalization of the currency. The memorandum was released to the Press for publication or comment on and after February 10th, 1961.<sup>1</sup>

**Licensed Dealers (Conduct of Business) Rules, 1960**

113. A memorandum dated June 10th, 1960 (Appendix, page 117)<sup>2</sup>, was submitted on behalf of the Council to the Board of Trade making certain suggestions for amendment of the draft of the Licensed Dealers (Conduct of Business) Rules, 1960.

**Powers of Investment of Trustees**

114. A memorandum dated January 13th, 1961 (Appendix page 118)<sup>3</sup>, on certain aspects of the Trustee Investments Bill was submitted on behalf of the Council to the Chancellor of the Exchequer. The memorandum has since been discussed by Mr C. M. Strachan, O.B.E., F.C.A., and Mr R. P. Matthews, B.COM., F.C.A., with representatives of the Treasury.

**Audits of Trustee Savings Banks**

115. Representatives of the Institute with representatives of The Institute of Chartered Accountants of Scotland and The Institute of Chartered Accountants in Ireland have had discussions with representatives of the Trustee Savings Banks Inspection Committee and the Trustee Savings Banks Association. As a result of these discussions the Inspection Committee issued in August 1960 a circular letter to the Trustee Savings Banks (with copies to the auditors of such banks) offering guidance to trustees and managers on various matters (including auditors' fees) relating to the audit of Trustee Savings Banks.

**Approved Auditors: Scale of Fees**

116. After protracted negotiations with the Registrar of Friendly Societies on behalf of the Institute. The Institute of Chartered Accountants of Scotland, The Institute of Chartered Accountants in Ireland and The Association of Certified and Corporate Accountants, the Treasury has agreed to a revision, with effect from July 1st, 1961, of the scale of fees for approved auditors.<sup>3</sup> The Registrar of Friendly Societies has been informed that the accountancy bodies regard the revision as an interim measure pending a comprehensive review of the basis of remuneration.

<sup>1</sup> See *The Accountant* of February 11th, 1961.

<sup>2</sup> Not reproduced.

<sup>3</sup> See *The Accountant* of March 11th, 1961, page 300.

**Taxation and Research Committee**

117. *Meetings.* During the year 1960 the Taxation and Research Committee held six meetings, its four standing sub-committees held nineteen meetings and twelve special sub-committees held sixty-two meetings, making a total of eighty-seven meetings for the committee and sixteen sub-committees. (The total for 1959 was seventy-eight meetings.)

118. *Activities.* The Taxation and Research Committee undertook a great deal of the work in connection with the memorandum for the Company Law Committee (paragraph 101), the representations on the Building Societies Bill and later the statement on *Building Society Audits* (paragraphs 104 and 108), the memorandum on the Finance Bill (paragraph 91), the memorandum on *Decimalization of the Currency* (paragraph 112) and the memorandum on the accounts of Friendly Societies and Industrial and Provident Societies (paragraph 109). The committee was consulted during the preparation of the new Recommendation 22 on *Treatment of Stock-in-trade and Work in Progress in Financial Accounts* (paragraph 90). Other subjects remain under consideration. Throughout the year the Taxation and Research Committee has received much assistance from the regional taxation and research committees of the district societies.

119. *Chairman and Vice-Chairman.* At its meeting in October 1960 the Taxation and Research Committee appointed Mr G. N. Hunter, F.C.A., as Chairman for the year commencing October 1st, 1960, in succession to Mr A. H. Proud, F.C.A., Mr J. Cartner, F.C.A., was appointed Vice-Chairman.

120. *Council appointments.* The following twelve members were appointed by the Council to serve on the Taxation and Research Committee for the year commencing October 1st, 1960: Messrs G. R. Appleyard, F.C.A., L. H. Clark, F.C.A., S. M. Duncan, F.C.A., W. F. Edwards, F.C.A., R. O. A. Keel, F.C.A., J. W. Margetts, F.C.A., G. P. Morgan-Jones, M.A., F.C.A., L. Pells, M.A., F.C.A., J. Perfect, F.C.A., D. W. Robertson, F.C.A., C. Romer-Lee, M.A., F.C.A., and J. G. Vaughan, F.C.A.

**Accountancy**

121. The Council has to record with regret the death on August 22nd, 1960, of Mr Leo Thomas Little, B.SC.(ECON.), Editor of *Accountancy* since 1938. The Council wishes to record its appreciation of the services of Mr Leslie John Henry Noyes, B.SC.(ECON.), F.C.A., in temporarily acting as Editor of *Accountancy* in addition to continuing as Secretary to the Taxation and Research Committee. Mr Geoffrey Andrew Holmes, F.C.A., has been appointed Assistant Editor of *Accountancy* and commenced his duties on March 1st, 1961.

**The Leo T. Little Memorial Fund**

122. At its meeting on October 5th, 1960, the Council decided to inaugurate an appeal for subscriptions to a memorial fund created for the benefit of Mr Little's widow, Mrs Frances Little, and their two young children and further decided that a donation of one thousand guineas be made to the fund from Institute funds. A motion approving the payment will be put to the annual meeting. Prior to the Scheme of Integration, Mr Little was not a member of the staff of The Society of Incorporated Accountants. He was an independent editor and when the Institute took over *Accountancy* a similar basis was continued at his request. He had therefore no rights under The Society of Incorporated Accountants' Staff Superannuation Scheme or under the Institute's Staff Pensions Fund. Sir Richard Yeabsley, C.B.E., F.C.A., and Mr E. Baldry, O.B.E., F.C.A., have kindly consented to act as trustees of the memorial fund and they would welcome further contributions by way of donations or payments under deed of covenant.

**B.B.C. Home Service**

123. The President communicated with the B.B.C. following a broadcast in the Home Service on October 30th, 1960, under the misleading title 'Professional Portrait: Accountancy'. As a result the B.B.C. readily gave facilities for the broadcast of a balanced view of the accountancy profession and this was done on December 4th, 1960, in the Home Service under the title 'The Accountant and You' when Mr Dudley Perkins discussed with Mr H. A. Benson, C.B.E., F.C.A., and Mr T. A. Hamilton Baynes, M.A., F.C.A., the role of the accountant in modern society.

**Advertising of Accountancy Services by Banks**

124. The Council has continued, as occasion demands, to take up with banks cases where there has been what is considered to be advertising of accountancy services other than to their existing customers. A bank which had been giving the addresses of its income tax departments in a Press advertisement has agreed to refrain from similar references in future notices in the Press. Another bank has agreed to alter a leaflet about income tax, which was displayed in its branches, so that the notice is addressed only to customers of the bank who do not already receive professional advice in connection with their income tax affairs.

**Accountants Joint Parliamentary Committee**

125. The Accountants Joint Parliamentary Committee has continued its work of watching all parliamentary matters relating to the qualification and status of auditors and has taken action on a number of Bills and Departmental Orders. The committee consists of representatives of the Institute, The Institute of Chartered Accountants of Scotland, The Association of Certified and Corporate Accountants and The Institute of Chartered Accountants in Ireland.

**Chartered Accountants Joint Standing Committee**

126. The Chartered Accountants Joint Standing Committee consisting of representatives of the Institute, The Institute of Chartered Accountants of Scotland and The Institute of Chartered Accountants in Ireland has continued to consider matters of common interest to the three institutes and is proving to be a valuable means of liaison between them.

127. In the last report (paragraph 117) it was announced that the Chartered Accountants Joint Standing Committee had established an Overseas Accountancy Examinations Advisory Board under the chairmanship of Mr W. G. Densem, F.C.A., to advise and assist overseas bodies in establishing and conducting their own accountancy examinations. It was also announced that the Board had entered into an arrangement with The Rhodesia Society of Accountants whereby that Society would receive the advice of the Board in connection with examinations which the Rhodesia Society intends to commence in 1962. Since the last report the Board has entered into an arrangement with The Malaysian Association of Certified Public Accountants whereby that Association will receive the advice and assistance of the Board in connection with examinations which the Malaysian Association intends to commence in 1961.

**Writ against the Institute**

128. The George S. May International Company (G.B.) has issued a writ against the Institute claiming damages for libel and an injunction.

**Overseas Bodies**

129. *Eighth International Congress of Accountants, 1962.* Reference was made in the annual report for 1958 (para-

graph 124) to the announcement by The American Institute of Certified Public Accountants that the Eighth International Congress of Accountants will be held in New York from September 23rd to 27th, 1962. Further particulars will be issued when available. The Council hopes that as many members of the Institute as possible will make arrangements to attend the congress so that the Institute representation will be worthy of the major part which members have taken over the years in the international development of the profession.

130. *Belgium.* The President, Mr S. John Pears, F.C.A., represented the Institute at the tenth anniversary of the Collège National des Experts Comptables de Belgique held in Brussels on December 3rd and 4th, 1960.

131. *Canada.* Mr W. L. Barrows, LL.D., F.C.A., represented the Institute at the fifty-eighth annual conference of The Canadian Institute of Chartered Accountants held in Banff from September 11th to 14th, 1960. In December 1960 the President sent the following message to the President of The Institute of Chartered Accountants of Alberta:

'On behalf of the Council of The Institute of Chartered Accountants in England and Wales it gives me great pleasure to send greetings and congratulations on the occasion of the Golden Jubilee of the incorporation of The Institute of Chartered Accountants of Alberta on December 16th, 1910. My Council sends you its best wishes for the future progress and prosperity of your Institute.'

132. *France.* The Vice-President, Mr P. F. Granger, F.C.A., accompanied by Mrs Granger, represented the Institute at the fifteenth national congress of the councils of the Ordre des Experts Comptables et des Comptables Agréés held in Paris from October 21st to 23rd, 1960.

133. *Germany.* The President, Mr S. John Pears, F.C.A., accompanied by his daughter, Mrs W. S. Letten, and the Secretary, accompanied by Mrs MacIver, represented the Institute at the annual meeting of the Institut der Wirtschaftsprüfer held in Berlin from June 8th to 10th, 1960.

134. *Netherlands.* The President, Mr S. John Pears, F.C.A., and the Secretary, accompanied by Mrs Pears and Mrs MacIver, represented the Institute at the Accountants' Yearday of the Netherlands Instituut van Accountants held in Scheveningen on October 14th, 1960.

135. *United States of America.* Mr W. L. Barrows, LL.D., F.C.A., represented the Institute at the seventy-third annual meeting of The American Institute of Certified Public Accountants held in Philadelphia from September 25th to 28th, 1960.

**Practice Rights Overseas**

136. Legislation and other developments affecting the practice of accountancy and auditing in many countries overseas have been watched closely and continuously throughout the year. When necessary, representations have been made through the appropriate channels. Information and advice have readily been given in response to requests from overseas countries.

137. The Council cannot emphasize too often its belief that the ideal arrangement is reciprocity in all parts of the world of the right to practise under the professional designation which the individual accountant has obtained by suitable training, experience and examination, without restrictions on the right to enter into partnership or agency arrangements with properly qualified accountants whatever may be their country of residence. The international nature of the profession is such as to require a liberal attitude towards world freedom of practice rights, if the profession is to be able to continue to serve adequately the business interests which depend upon it.

138. The Council believes that all forms of artificial barriers (by reference to nationality, residence, partnership association, firm names, or otherwise) are detrimental to the future development of the profession and to the interests of the countries imposing such barriers. In the past, over a long period of years, United Kingdom chartered accountants have taken a major part in the creation and development of an organized profession in many overseas countries; it is the Council's earnest hope that they will be enabled to continue to make a material contribution in this way.

#### The P. D. Leake Trust

139. *Reports and accounts.* At its meeting on January 4th, 1961, the Council approved for publication a booklet containing the accounts of the P. D. Leake Trust for the year ended October 31st, 1960, with the eighth report by the Council on the administration of the trust and the eighth report by the P. D. Leake Committee on the application of the income. The booklet also contains details of the High Court scheme ordered by Mr Justice Pennycuik on May 17th, 1960, under which the powers of investment have been extended. Any interested person may obtain a copy, without charge, on application to the offices of the Institute. A statement to that effect was published in *Accountancy* for January 1961 [and *The Accountant* of January 14th, 1961].

#### The Chartered Accountants General Charitable Trust

140. In view of the increased amount of grants from The Chartered Accountants General Charitable Trust the Institute has executed a new deed in favour of the trust and is now making total annual payments to the trust of £3,200 less tax (seven annual payments of £300 under deed December 21st, 1955, eight annual payments of £700 under deed August 1st, 1956, seven annual payments of £700 under deed July 3rd, 1957, and seven annual payments of £1,500 under deed dated December 7th, 1960). The accounts of the trust appear at page 68.<sup>1</sup>

#### Capel House (Medcalf) Trust

141. Reference was made in the last report (paragraph 140) to the Capel House (Medcalf) Trust which was created in 1953 by the late Colonel S. A. Medcalf, O.B.E., T.D., D.L., who settled Capel House, Enfield, with certain investments, on trust for the education of students and members of The Society of Incorporated Accountants. On the application of the trustees the High Court has declared the trusts to be valid charitable trusts and has ordered a *cy pres* scheme. The trustees are now completing a draft scheme for submission to the High Court, but there are certain serious difficulties.

#### Chartered Accountants Retirement Benefits Scheme (known as CARBS)

142. The Chartered Accountants Retirement Benefits Scheme provides retirement benefits for members who are self-employed or otherwise within the ambit of Section 22 of the Finance Act, 1956. The accounts for the year ended May 31st, 1960, are reproduced in the Appendix<sup>2</sup>, and they show members' contributions of £146,751 compared with £123,548 in the previous year. For the year to May 31st, 1960, the Council has reduced to £750 (from £1,000 in the previous year) the charge to CARBS in respect of Institute staff time devoted to its administration. The outstanding balance due to the Institute on loan account remains at £4,750 and neither the trustees nor the Council will agree to the repayment of any part thereof unless satisfied that the solvency of the scheme will not be affected.

<sup>1</sup> Reproduced in this issue.

<sup>2</sup> Not reproduced.

143. On July 20th, 1960, a notice was sent to all members advising them of the following changes in the scheme:

- (a) *Extension of the guarantee period for sections A and B.* The original arrangement under which the contribution rates for sections A and B were guaranteed indefinitely to those who contributed an aggregate of £50 or more under the sections on or before June 30th, 1960, has been extended to all who so contribute up to June 30th, 1963.
- (b) *Closure of section C.* Owing to the very limited interest shown in section C it has been closed with effect from June 30th, 1960, except to those then enjoying guaranteed contribution rates. (Section C compared unfavourably in some respects with disablement insurance available independently, which is not restricted to the narrow definition of incapacity imposed upon CARBS by the Finance Act, 1956. Accordingly section C has not been well supported.)

#### Chartered Accountants Employees Superannuation Scheme (known as CAESS)

144. The Chartered Accountants Employees Superannuation Scheme provides a framework within which practising members may set up contributory retirement benefit schemes for their staffs. During the year the trust deed and rules have been altered to provide machinery within the scheme by which any participating firm which so wishes may contract out of the graduated part of the State pension scheme under the National Insurance Act, 1959. An explanatory booklet entitled *Chartered Accountants Employees Superannuation Scheme—Arrangements for those who wish to contract out under the National Insurance Act, 1959*, was issued in July 1960 to practising members in Great Britain and Ireland. A considerable number of firms has made use of this machinery, which avoids the need for individual negotiation with the Registrar of Participating Employments. Several firms have entered the scheme for the first time to take advantage of this facility.

145. An advantage of CAESS is that it affords even the smallest participating firm the financial stability of a large retirement benefits scheme. The number of participating firms is still increasing. On March 31st, 1961, there were 973 individual members of the scheme from 204 participating firms as against 789 members from 156 firms a year earlier.

146. The accounts for the year ended May 31st, 1960, are reproduced in the Appendix<sup>3</sup> and show net contributions of £56,119 compared with £52,057 in the previous year. The charge for Institute staff time devoted to administration was £250 as in the previous year. The outstanding balance due to the Institute on loan account remains at £4,750 and neither the trustees nor the Council will agree to the repayment of any part thereof unless satisfied that the solvency of the scheme will not be affected.

#### Chartered Accountants Trustees Limited

147. Chartered Accountants Trustees Limited has continued to act as trustee of CARBS, CAESS and the Staff Pensions Fund and to administer the Merrett estate. The report of the directors and the accounts of the company to May 31st, 1960, appear in the Appendix.<sup>3</sup>

148. As mentioned in the last report (paragraph 146) Chartered Accountants Trustees Limited and Chartered Accountants Benevolent Association Trustees were appointed joint executors and trustees of the estate of the late H. C. Merrett, F.C.A., who died on October 12th, 1958. The latter company was unable to act without an alteration of its constitution and accordingly Chartered Accountants Trustees Limited is proceeding with the administration of the estate, acting through two officers of the Institute as nominees.

<sup>3</sup> Not reproduced.

**Liquidation of The Society of Incorporated Accountants**

149. *Progress.* The liquidation of The Society of Incorporated Accountants is now virtually completed, but the final winding-up is being delayed pending the formal transfer to the Institute of certain legal proceedings against a body in India which were commenced before the Scheme of Integration.

150. *South African branches.* At the annual meeting of the Institute held on May 4th, 1960, the following resolution was passed:

'That for the purpose of removing any doubt which may exist in law as to the ownership of the assets held by the three branches in South Africa of The Society of Incorporated Accountants (in voluntary liquidation) known as the Northern Branch, the Eastern Branch and

the Western Branch respectively and to ensure that the assets shall be at the disposal of those branches, the Institute hereby renounces and assigns in favour of each of the said branches any legal interest which it may have in the assets of each of such branch respectively.'

Subsequently the three South African branches were liquidated and their assets transferred in trust to the Joint Council of the Societies of Chartered Accountants of South Africa.

151. *History of the Society.* Reference was made in the last report (paragraph 153) to the History of the Society, written by Mr A. A. Garrett, M.B.E., M.A., a former secretary of the Society. The history is now in the hands of the printers and copies will be dispatched in June or July in fulfilment of existing orders. Orders may still be submitted, addressed to Mr C. A. Evan-Jones, c/o Lloyds Bank Ltd,

**SUBSCRIPTIONS FOR THE YEAR ENDED  
31st DECEMBER 1960**

1959		1960		1961	
£		Members in Practice	£	£	
<i>Fellows</i>					
* 33,075	2,100	2,550 at £12 12 0	..	32,130	
* 44,125	3,502	5,435 at £10 10 0	..	57,068	
* 743	63	73 at other rates	..	719	
<i>Associates</i>					
11,466	1,092	680 at £10 10 0	..	7,140	
27,401	3,262	1,492 at £8 8 0	..	12,533	
1,036	183	145 at other rates	..	910	
<i>Incorporated Accountant Members</i>					
* 16	3	10 at £10 10 0	..	105	
* 83	21	27 at £8 8 0	..	227	
* 12	3	at other rates	..		
117,962				110,832	
<i>Members not in Practice</i>					
<i>Fellows</i>					
* 3,028	412	7,661 at £6 6 0	..	48,264	
* 25	4	18 at other rates	..	89	
<i>Associates</i>					
78,623	14,976	8,493 at £5 5 0	..	44,588	
2,084	773	777 at other rates	..	2,075	
<i>Incorporated Accountant Members</i>					
* 2,593	823	799 at £5 5 0	..	4,195	
* 5	3	15 at other rates	..	39	
86,358				99,250	
<i>Members not resident in England or Wales</i>					
<i>Fellows</i>					
* 1,133	273	1,582 at £4 4 0	..	6,044	
* 29	7	4 at other rates	..	15	
<i>Associates</i>					
8,051	2,556	1,355 at £3 3 0	..	4,268	
45	28	18 at other rates	..	27	
<i>Incorporated Accountant Members</i>					
517	246	545 at £2 2 0	..	1,145	
678	646	372 at £1 1 0	..	391	
8	14	12 at other rates	..	6	
10,761				12,496	
<i>Reduced subscriptions: bye-law 43</i>					
<i>Retired members</i>					
1,135	1,081	1,227 at £1 1 0	..	1,288	
<i>Members on national service</i>					
791	753	808 at £1 1 0	..	848	
1,926				2,136	

\*NOTE. \* Certain subscriptions were changed from January 1st, 1960.

Total carried to Income and Expenditure Account

**EXAMINATIONS ACCOUNT  
MAY AND NOVEMBER 1960**

1959		1960		1961	
£		INCOME	£	£	
<i>Institute examinations:</i>					
1,743	415	Preliminary 478 at £4 4 0		2,008	
17,918	3,413	Intermediate 4,184 at £5 5 0		21,966	
18,728	2,548	Final 2,992 at £7 7 0		21,991	
<i>Society examinations:</i>					
2,825	538	Intermediate			
3,591	855	Final			
250	34	Part I or II 401 at £1 4 0		1,684	
239	38	Parts I and II 6 at £7 7 0		44	
		South African Special Final			
		42 at £6 6 0		265	
45,294				47,958	
<i>DIRECT EXPENDITURE</i>					
£		Fees of Examiners, Moderators and Invigilators		30,516	
29,711		Hire of rooms		4,840	
5,352		Printing and stationery		7,079	
6,300		Publicity		329	
292		Sundries		3,375	
2,761				46,139	
44,416					
<i>Less contributions by:</i>					
The Institute of Chartered Accountants of Scotland					
439			132		
The Institute of Chartered Accountants in Ireland					
1,055			666		
1,494			798		
42,922			45,341		
<i>Prizes</i>					
			106		
<i>Less: Grant from The Institute Prize Trust</i>					
			106		
2,372		Balance transferred to Income and Expenditure Account		2,617	

NOTE. - The expenditure charged in this account does not include any charge in respect of the substantial amount of time which the Institute's staff devotes to examination work or in respect of the use of the Institute's premises.

£217,007

£224,714

£45,294 £45,294

£47,958 £47,958

Chartered Accountants

## BALANCE SHEET, 31st DECEMBER 1960

[illegible]

**REPORT OF THE AUDITORS TO THE MEMBERS OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES**

We have examined the above balance sheet and annexed income and expenditure account which in our opinion respectively give a true and fair view of the state of the Institute's affairs as at 31st December 1960 and of its income and expenditure for the year ended on that date.

L. W. BINGHAM  
LEONARD PELLIS

**Chartered Accountants**

5th April 1961

# BALANCE SHEET NOTES

These notes form an integral part of the balance sheet on [opposite] page.

(1) The liquidation of The Society of Incorporated Accountants is not yet complete and the liquidators have retained a small balance against the remaining liabilities of the Society. If the balance retained by the liquidators proves inadequate, the Institute will make a refund out of the amounts already received from the liquidators.

(2) A total of £30,000 is being provided against the cost of the remaining sections of the Members' Handbook (see report, paragraph 25). An amount of £10,000 has been set aside in 1960 and similar amounts will be set aside in 1961 and 1962.

(3) The accounts of the Staff Pensions Fund, the benefits of which are mainly based on salaries in the closing years of service, appear at pages 58 to 61. The Institute is under obligation to make annual contributions by way of percentage of salaries calculated from time to time by the actuary (at present 14 per cent) but subject to a maximum of 20 per cent and to the right of the Institute to close the fund and cease to contribute. Under rules previously in operation and now superseded the Institute was under obligation to maintain the solvency of the fund and all benefits were based on terminal salaries: 6 pensioners and 11 employees who were in the service of the Institute prior to 1947 and who were entitled, without reservation, to the benefits provided under those rules are therefore the subject of guarantees by the Institute to ensure that they will not be prejudiced by the new rules.

(4) A writ has been issued against the Institute claiming damages for libel.

# ACCUMULATED FUND 31st DECEMBER 1960

1959	£	1959	£	£
112,739		Balance 31st December 1959	..	274,96
		Add:		
		Receipts from the liquidators of The Society of Incorporated Accountants (see report, paragraph 153)	..	8,020
126,505				
		Less payments thereout:		
		The Institute of Chartered Accountants in Ireland	..	63
8,043		Ex gratia payments to former employees of the Society on leaving the service of the Institute	..	6,100
—		The Institute of Chartered Accountants of Scotland	..	6,163
5,376				
13,419				
113,086		Excess of income over expenditure for the year 1960	..	1,85
52,862				24,72
278,687				301,54
		Less:		
473		Net loss on realisation of investments	..	
3,253		Special contribution in respect of a new entrant to the Staff Pensions Fund	..	
3,726				
£274,961		Balance 31st December 1960	..	£301,54

# SCHEDULE OF ASSOCIATED INTERESTS 31st DECEMBER 1960

1959	£	1959	£	£
		SHARE CAPITAL		
		Chartered Accountants Trustees Limited	100	100
		Society of Incorporated Accountants (1958) Limited	100	100
		Society of Incorporated Accountants Limited (South Africa)	40	40
200				24
		LOANS		
		Chartered Accountants Trustees Limited	100	100
100		Chartered Accountants Retirement Benefits Scheme (less provision)	1	1
1		Chartered Accountants Employees Super-annuation Scheme (less provision)	1	1
1,500		Manchester Society of Chartered Accountants Overseas Accountancy Examinations Advisory Board	1,500	1,500
100			400	400
1,702				2,00
£1,902				£2,24



*The Institute of Chartered Accountants in England and Wales*

**SCHEDULE OF INVESTMENTS, 31st DECEMBER 1960**

1959 £	Holding	Cost £	Middle market value £
<b>FIXED INTEREST</b>			
9,237	3% Savings Bonds, 1955-65 .. .. .	9,237	9,051
<b>VARIABLE DIVIDEND</b>			
<b>Insurance companies and banks</b>			
3,090	Commercial Union Assurance Co. Ltd. Ordinary 5s. Shares .. .. .	3,640	8,456
4,538	General Accident, Fire and Life Assurance Corp'n. Ltd. Ordinary Stock .. .. .	4,538	15,375
3,613	Legal and General Assurance Society Ltd. 5s. Shares .. .. .	3,613	14,873
3,394	Northern and Employers Assurance Co. Ltd. Ordinary £1 Shares .. .. .	9,432	11,000
3,078	Royal Insurance Co. Ltd. Ordinary Stock .. .. .	3,078	7,000
3,605	Royal Bank of Canada \$10 Shares of Capital Stock .. .. .	3,940	5,100
21,318		28,241	61,80
<b>Investment trusts</b>			
3,033	Alliance Trust Ltd. Ordinary Stock .. .. .	3,033	14,350
8,262	Anglo-American Securities Corporation Ltd. Ordinary 5s. Shares .. .. .	10,936	9,750
1,295	Atlas Electric and General Trust Ltd. Ordinary 5s. Shares .. .. .	8,262	11,040
—	British Assets Trust Ltd. Ordinary 5s. Shares .. .. .	1,295	9,600
—	Cedar Investment Trust Ltd. Ordinary 5s. Shares .. .. .	9,823	9,063
2,421	City of London Brewery & Investment Trust Ltd. Deferred Stock .. .. .	9,531	11,069
4,350	Continental Union Trust Ltd. Ordinary 5s. Shares .. .. .	2,421	9,750
8,570	Edinburgh & Dundee Investment Trust Ltd. Ordinary Stock .. .. .	4,350	11,550
11,357	Foreign and Colonial Investment Trust Ltd. Ordinary Stock .. .. .	8,570	11,100
11,770	International Investment Trust Ltd. Ordinary 5s. Shares .. .. .	11,511	15,975
1,710	Investors Mortgage Security Co. Ltd. Ordinary Stock .. .. .	12,731	12,000
6,229	Lake View Investment Trust Ltd. Ordinary Stock .. .. .	1,710	5,920
2,064	London & Clydesdale Trust Ltd. Ordinary 5s. Shares .. .. .	10,068	9,300
3,164	Scottish Mortgage & Trust Co. Ltd. Ordinary Stock .. .. .	2,064	6,600
9,827	Second Scottish Investment Trust Co. Ltd. Ordinary Stock .. .. .	3,164	6,860
10,444	Southern Stockholders Investment Trust Ltd. Stock .. .. .	9,827	9,187
8,351	Sphere Investment Trust Ltd. Ordinary 5s. Shares .. .. .	10,444	10,000
—	Standard Trust Ltd. Ordinary Stock .. .. .	8,351	11,063
8,304	Sterling Trust Ltd. Ordinary Stock .. .. .	8,447	7,800
9,165	Trust Union Ltd. Ordinary 5s. Shares .. .. .	8,304	9,500
5,099	Trustees Corporation Ltd. Ordinary Stock .. .. .	9,165	8,100
7,497	United States Debenture Corporation Ltd. Ordinary Stock .. .. .	7,841	7,250
122,912	Witan Investment Co. Ltd. Ordinary £1 Shares .. .. .	5,099	8,160
		9,369	8,875
		176,316	233,86
<b>Industrial</b>			
2,289	British South Africa Company Registered Stock .. .. .	2,289	3,344
2,463	Ford Motor Co. Ltd. Ordinary Stock .. .. .	2,463	8,492
2,175	Imperial Chemical Industries Ltd. Ordinary Stock .. .. .	2,175	4,800
2,603	Shell Transport & Trading Co. Ltd. Ordinary Stock .. .. .	2,603	5,225
5,282	Stewarts and Lloyds Ltd. Ordinary £1 Shares .. .. .	5,282	5,097
1,934	Turner & Newall Ltd. Ordinary Stock .. .. .	1,934	4,493
16,746		16,746	31,45
£170,213		£230,540	£336,16

*The Institute of Chartered Accountants in England and Wales*

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1960**

1959	EXPENDITURE		1959		INCOME	
	£	£	£	£	£	£
	<b>Establishment</b>				<b>Admission Fees</b>	
10,687	Rents and rates	..	..	29,155	1,623 at £10 10 0	..
614	Insurance	..	..	644		17,042
8,470	Housekeeping, fuel, lighting	..	..	8,868	<b>Subscriptions</b>	
3,135	Repairs to hall and offices	..	..	2,254	Per schedule [attached]	..
8,275	Furniture, fittings and equipment	..	..	10,258		224,714
1,220	Depreciation of building	..	..	1,220	<b>Re-admission Fees</b>	..
114	Amortisation of lease	..	..	114		93
32,515				52,513	<i>Fellowship Fees</i>	
				1,318		
				234,434	Total income from members	241,845
	<b>Administration</b>				<b>Income from Investments</b>	..
68,859	Salaries	..	..	75,605		17,205
8,674	Staff pensions fund—annual contribution	..	..	9,775		
2,207	Library	..	..	2,504		
18,432	List of members—printing and distribution	..	..	17,821	<b>Sale of Publications</b>	
17,072	Printing and stationery	..	..	15,989	Recommendations on Accounting Principles	971
6,885	Postage, carriage, telephone	..	..	7,702	Summer Course booklets	550
5,016	Legal and other professional charges	..	..	4,928	'Standard Costing'	343
1,050	Audit fees	..	..	1,050	Other publications	441
6,112	Sundries	..	..	4,698		2,305
134,307				140,072		
	<b>Travelling</b>				<b>Exemption Fees—Preliminary Examination</b>	9,652
4,047	Members of the Council	..	..	4,541		
1,741	Members of the Taxation and Research Committee	..	..	1,687		
1,859	Delegates to meetings abroad	..	..	581		
7,647				6,809		
	<b>Members' Handbook (including provision of £10,000)</b>					
9,687		..	..	20,833		
3,634	<b>Publicity and Hospitality</b>	..	..	3,879		
11,752	<b>Grants to District Societies</b>	..	..	13,896		
863	<b>Summer Course, Christ Church and Pembroke College, Oxford</b>	..	..	1,160		
—	<b>80th Anniversary Banquet</b>	..	..	1,229		
200,405				240,391	Carried forward	271,011
				253,900		

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1960 (contd.)**

*The Chartered Accountants General Charitable Trust*  
**INCOME AND EXPENDITURE**  
**for the year ended 31st December 1960**

Institute contributions under deed of covenant.		£		£
Income from investments and deposits, less irrecoverable income tax .. .. .				
<u>34</u>				
1,734				
<i>Less grants:</i>				
Students' Societies .. .. .				
Joint Tuition Committees .. .. .				
Church of St. Margaret, Lothbury ..				
Professional Classes Aid Council ..				
London Chamber of Commerce for educational purposes .. .. .				
<u>—</u>				
1,068				
646				
59				
25				
<u>—</u>				
1,798				
•				
£64 ( <i>Deficit</i> )				
<u>£64</u>				
<i>Excess of income over expenditure for the year</i>				
<i>NORM.—The Chartered Accountants General</i>				
<i>Charitable Trust is referred to in paragraph</i>				
<i>140 of the report of the Council.</i>				

*The Institute Prize Trust*  
**INCOME AND EXPENDITURE**  
for the year ended 31st December 1960

1959	
£	
450	Institute contribution under deed of covenant
	Income from investments and deposits, less
59	irrecoverable income tax .. ..
<u>509</u>	
	<i>Less grants:</i>
92	Prizes at Institute examinations ..
<u>£417</u>	Excess of income over expenditure for the year

*The Institute of Chartered Accountants Staff Pensions Fund*  
**BALANCE SHEET, 31st DECEMBER 1960**

1959 £	Accumulated Fund	£	1959 £	Investments at cost: Per schedule [attached] (Value at middle market prices £224,848)	£	£
122,997	Balance 31st December 1959 .. .. .	137,647	132,182	.. .. .	..	149,012
8,674	Annual contribution by the Institute for 1960 ..	9,775	(£220,709)	.. .. .	..	
6,091	Investment and deposit income, less irrecoverable income tax .. .. .	6,967				
4,287	Special contribution on entry to the fund					
419	Surplus on realisation of investment	16,742				
		154,389	5,465			2,145
142,468						
2,955	Less:					
1,443	Pensions	3,017				427
423	Refunds of contributions on withdrawal (former Society employees) .. .. .	210				421
4,821	Gratuity on retirement	3,227				1,297
137,647	Balance 31st December 1960 .. .. .	151,162				

NOTE.—The annual contribution made by the Institute for 1960 was at the rate of 14 per cent of salaries. The benefits are mainly based on salaries in the closing years of service and the Institute has the right to close the fund. An actuarial valuation as on 31st December 1959, made on the basis that the annual contributions would continue at 14 per cent, showed a surplus of £32,012, after including £5,854 due from the Institute in respect of a special contribution. On the recommendation of the actuary the surplus was then reduced to £26,158 by treating £5,854 as a payment in satisfaction of the above mentioned special contribution. The next valuation is due to be made not later than 31st December 1964.

On behalf of Chartered Accountants Trustees Limited  
as trustee

S. H. GILLETT  
DOUGLAS A. CLARKE } *Directors*

£137,647	£151,162	£137,647	£151,162
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**REPORT OF THE HONORARY AUDITORS TO THE TRUSTEE**

We have examined the above balance sheet which in our opinion gives a true and fair view of the state of affairs of the Staff Pensions Fund as at 31st December 1960 and of its transactions for the year ended on that date.

5th April 1961

L. W. BINGHAM  
LEONARD PELLIS  
*Chartered Accountants*

*The Institute of Chartered Accountants Staff Pensions Fund*

**SCHEDULE OF INVESTMENTS, 31st DECEMBER 1960**

1959 £	Holding	Cost £	Middle market value £
<b>FIXED INTEREST</b>			
2,996	3½% Funding Stock, 1999-2004 ..	2,996	2,883
21,934	British Gas 4% Stock, 1969-72 ..	21,934	18,419
4,675	British Transport 4% Stock, 1972-77 ..	4,675	4,029
29,605		29,605	25,331
<b>VARIABLE DIVIDEND</b>			
<b>Insurance companies</b>			
5,176	Commercial Union Assurance Co. Ltd. Ordinary 5s. Shares ..	6,088	9,225
6,192	Eagle Star Insurance Co. Ltd. Ordinary 10s. Shares ..	6,192	11,614
3,817	Guardian Assurance Co. Ltd. Ordinary 5s. Shares ..	3,817	7,050
4,525	Prudential Assurance Co. Ltd. 'A' 4s. Shares ..	4,525	8,750
19,710		20,622	36,639
<b>Investment trusts</b>			
4,956	American Trust Co. Ltd. Ordinary 5s. Shares ..	4,956	9,713
3,783	Anglo-American Securities Corporation Ltd. Ordinary 5s. Shares ..	6,046	7,800
5,250	Atlas Electric and General Trust Ltd. Ordinary 5s. Shares ..	5,250	13,800
4,037	Continental Union Trust Ltd. Ordinary 5s. Shares ..	4,037	8,125
3,307	Embankment Trust Ltd. Ordinary Stock ..	3,307	5,775
—	Foreign & Colonial Investment Trust Co. Ltd. Ordinary Stock ..	12,910	11,250
8,824	Great Northern Investment Trust Ltd. Ordinary Stock ..	8,824	21,165
5,428	Guardian Investment Trust Co. Ltd. Ordinary 5s. Shares ..	5,428	9,135
7,800	Industrial & General Trust Ltd. Ordinary 5s. Shares ..	7,800	13,612
6,813	Investment Trust Corporation Ltd. Ordinary 5s. Shares ..	7,563	11,963
4,411	London Trust Co. Ltd. Deferred Stock ..	4,411	6,600
5,574	Rio Claro Investment Trust Ltd. Ordinary Stock ..	5,574	9,938
6,311	Trust Union Ltd. Ordinary 5s. Shares ..	6,311	10,800
66,494		82,417	139,676
<b>Industrial</b>			
5,245	Great Universal Stores Ltd. 'A' Ordinary Stock ..	5,245	7,737
5,615	Imperial Chemical Industries Ltd. Ordinary Stock ..	5,615	10,240
5,513	Shell Transport & Trading Co. Ltd. Ordinary Stock ..	5,513	5,225
16,373		16,373	23,202
£132,182		£149,017	£224,846

# PRIZE AND SCHOLARSHIP TRUSTS, 31st DECEMBER 1960

## INVESTMENTS

### PRIZE FUND

	Holding	Capital	Income	Balance 31st December 1959	INCOME ACCOUNTS FOR 1960		Balance 31st December 1960
					Receipts	Payments	
		£	£	£	£	£	£
Robert Fletcher	Manchester Corporation { £1,115 4% Consolidated Stock { £32	1,056	31	43	51		38
DeLoitte .. ..	Blackburn Corporation { £1,700 3½% Irredeemable Stk. { £200	1,427	164	227	66	52	241
William Quilter	Manchester Corporation			5	10	10	5
Frederick Whinney	Bristol Corporation	213		19	38	38	19
Walter Knox ..	3½% Debenture Stock £1,080	900		14	28	28	14
Theodore Gregory	Manchester Corporation	659		20	20	20	20
Stephens .. ..	4% Consolidated Stock £490	464		59	94	88	65
West .. ..	Manchester Corporation { £2,630 3½% Debenture Stock { £40	2,190	31	7	14	14	7
W. B. Peat	Manchester Corporation	336					
	4% Consolidated Stock £355						
	Manchester Corporation	1,709					
	4% Consolidated Stock £1,810						
	Bristol Corporation	334		43	86	86	43
	3½% Debenture Stock	2,043		4	4	4	4
O. C. Ralton ..	Manchester Corporation	89		11	23	23	11
Roger N. Carter	4% Consolidated Stock £94			47	91	91	47
Plender .. ..	Manchester Corporation	547		9	18	18	9
Tom Walton ..	4% Consolidated Stock £2,290	2,169		5	10	10	5
Fl./Lieut. Dudley Hewitt, D.F.C. .. ..	Manchester Corporation	418					
	4% Consolidated Stock £440						
	Treasury 2½% Stock .. £400	270†					
Value at middle market prices £155 (1959-£167)				£513	£548	£533	£528
W. B. Peat ..	Bristol Corporation			Represented by:			
Memorial	3½% Debenture Stock £2,877	2,396		Investments	..	226	
Scholarship	Hull Corporation			Recoverable income	..	93	
	3½% Stock, second issue £2,721	2,282		tax	..	209	
		4,678		Bank balance	..		£528
Value at middle market prices £11,630 (1959-£12,664) £17,459							

† At value when received.

On behalf of the Council of the Institute as trustee,

S. JOHN PEARLS

President

*Note: W. B. Peat Memorial Scholarship Fund.*

The Chartered Accountants Benevolent Association receives the income of this fund for educational and other purposes in accordance with the terms of the trust and publishes an annual account of its application.

## REPORT OF THE HONORARY AUDITORS TO THE TRUSTEE

We have examined the above statement which in our opinion gives a true and fair view of the state of the Trusts as at 31st December 1960 and of their transactions on income account for the year ended on that date.

5th April 1961

L. W. BINGHAM  
LEONARD PELLIS

Chartered Accountants

# Notes and Notices

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

### Presidential Luncheon Party

The President of the Institute, Mr S. John Pears, F.C.A., and the Vice-President, Mr P. F. Granger, F.C.A., gave a luncheon party on April 14th at *The Dorchester Hotel*. The guests were: The Lord Chancellor, Viscount Chandos, Lord Heyworth, Mr Ernest Marples, F.C.A., M.P., Sir Cyril Musgrave, Sir Richard Powell, Mr Alfred Robens, Sir William Carrington, F.C.A., Mr P. F. Carpenter, F.C.A., Mr D. A. Clarke, LL.B., F.C.A., Mr H. A. Benson, C.B.E., F.C.A., and Mr C. A. Evan-Jones, M.B.E.

### Members' Addresses Wanted

The Secretary of the Institute would be glad to know the present addresses of the following members of the Institute. The town at which the member was last known is shown after each name.

Samuel John Brough, A.C.A.	Leeds.
John William Hobbs, A.C.A.	Nottingham.
Reginald Horsefield, F.C.A.	Manchester.
Richard Langley Robbins, F.C.A.	Parkstone.
Donald Ferguson Smith, A.C.A.	Lymm.
Philip Sutherland Strachan, F.C.A.	London.

### PROFESSIONAL NOTICES

MESSRS EDMUND D. WHITE & SONS, Chartered Accountants, of London and Liverpool, announce that Mr C. BERTRAM BURROWS, F.C.A., who has been a partner in the firm since 1939, retired from the partnership on March 31st, 1961. Mr BURROWS is continuing in private practice and will continue to be available to his personal clients. Mr HUGH DENE ANTHONY, A.C.A., who has been on the staff of the firm for some years, has been admitted a partner as from April 1st, 1961.

MESSRS JOHN FAIRHURST & TYRER, Chartered Accountants, of 15 Bridgeman Terrace, Wigan, announce that they have taken into partnership Mr DAVID JOHN FAIRHURST, A.C.A., who is the son of Mr JOHN FAIRHURST, F.C.A., and has been associated with the firm for some considerable time. The firm name will remain unchanged.

MESSRS HILL, VELLACOTT & BAILEY, Chartered Accountants, of Bank Chambers, 39 Arthur Street, Belfast, and Downpatrick, announce that as from April 1st, 1961, they have admitted into partnership Mr JOHN F. M. P. BAILEY, M.A., LL.B., A.C.A., the younger son of the late Mr JOHN BAILEY.

Mr E. G. S. JACKSON, F.C.A., A.C.I.S., Chartered Accountant, of Midland Bank Chambers, 81 Queens Road, Bristol, has pleasure in announcing that he has admitted into partnership as from April 1st, 1961, Mr DONALD HOLLEDGE, A.C.A., and that the firm's name will, in future, be JACKSON, HOLLEDGE & WHITE.

MESSRS KEENS, SHAY, KEENS & Co, Chartered Accountants, of 36 New Broad Street, London, EC2, and branches, announce that they have admitted Mr R. E. WRIGHT, A.C.A., to the partnership. Mr WRIGHT has been a senior member of the staff for some years.

MESSRS LARKING & LARKING, Chartered Accountants, of Maidstone, Canterbury, Ashford, Norwich, etc., announce that as from April 1st, 1961, they have taken into partnership Messrs DAVID GOATE, A.C.A., L. G. C. PACKER, F.C.A., W. R. POWELL, A.C.A., and J. M. E. RAVENSCROFT, F.C.A.

Mr RICHARD MOSS, F.C.A., of 9 Wyndham Place, Bryanston Square, W1, announces that, as from April 1st, 1961, he has taken into partnership Mr D. MICHAEL CROSS, F.C.A. The practice will continue to be conducted under the firm name of RICHARD MOSS & Co.

MESSRS T. B. SCATTERGOOD & Co, Chartered Accountants, of 125 Edmund Street, Birmingham, 3, announce that they have taken into partnership Mr W. D. RICHEY, F.C.A., and Mr M. S. DRINKWATER, A.C.A. The practice will be carried on under the same business name.

MESSRS WHITAKER & REDFEARN, Chartered Accountants, of Alverton Manor, Penzance, and St Ives and Camborne, announce the retirement of their senior partner, Mr G. O. REDFEARN, M.M., F.C.A., who has been with the firm since 1925. He will remain available for consultation.

MESSRS WHITAKER, REDFEARN, PAPPIN & Co, of Berry Road, Newquay, announce the retirement from that practice of Mr G. O. REDFEARN, M.M., F.C.A., and Mr J. D. LYALL, F.C.A., as from March 31st, last. Mr REDFEARN will remain available for consultation.

### Appointments

Mr R. G. Drayson, F.C.A., has been elected a director of Denny, Mott & Dickson Ltd.

Mr G. D. Wild, A.A.C.C.A., has been appointed assistant accountant, British Railways Western Region.

Sir Douglas Waring, C.B.E., F.C.A., has been appointed chairman of London Tin Corporation Ltd.

Sir Wentworth Rowland, Bt., F.C.A., has been appointed a member of the London Electricity Consultative Council.

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### REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.



Mr R. Randall, F.C.A., has been appointed regional treasurer of the London Midland Region, British Railways.

Mr W. W. Noakes, F.C.A., J.P., deputy chairman of N. Corah (St Margaret) Ltd, has been appointed President of the National Hosiery Manufacturers' Federation.

### THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

At a recent meeting of the Executive Committee the chair was taken by Mr F. J. B. Gardner, F.C.A., in the absence of the President, and seven members were present.

#### *Applications for Assistance*

Five new applications for assistance were considered; in three cases a grant was made; in one case a donation was given as a temporary measure until further inquiries had been made; the fifth application was refused.

Details of a typical case may be of interest. Mrs X.'s husband, a chartered accountant, who died in his early forties, had suffered from mental ill-health and drug addiction for many years following service as a flying officer in the R.A.F. during the years 1938-48, during which time a leg was amputated while he was a prisoner of war. The only asset in his estate was a small life policy which helped to reduce the mortgage on the house in which Mrs X. and her three children, aged 10, 8 and 4, live. Her only income is a widowed mother's allowance and national assistance. She was refused a war widow's pension on the grounds that her husband's death of coronary thrombosis could not be attributed to war service. A donation of £115 already made was confirmed and a grant of £400 per annum for one year was made.

#### *Applications for further Assistance*

Nineteen cases for further assistance were considered. In thirteen cases the grant was renewed; in two cases the grant was increased; in four cases the grant was reduced owing to improved circumstances.

#### *Special Fund*

One application for further assistance was considered and the grant renewed.

#### *Matters Reported*

The Honorary Secretary reported changes in circumstances in ten cases and grants were adjusted or donations made in appropriate cases.

The deaths of two beneficiaries were reported: one had been a resident in Crossways Trust home, Hurst Grange, Worthing, since July 1960.

#### *W. B. Peat Memorial Scholarship Fund*

One grant of £30 per annum for three years was made to assist with school fees.

### COMPANY LAW COMMITTEE

The minutes of the thirteenth day's evidence, taken before the Company Law Committee, were published last Tuesday. The witnesses were representatives of The General Council of the Bar, The Trades Union Congress and The British Overseas Banks Association.

Copies may be obtained from H.M. Stationery Office, price 4s 6d (by post 4s 11d).

### NEW NATIONAL INSURANCE GUIDE

The national graduated pension scheme and the higher flat-rate pensions and benefits are outlined in a new edition of the booklet *Everybody's Guide to National Insurance*, obtainable from local Pensions and National Insurance Offices, or through any bookseller, price 9d.

Prepared by the Ministry of Pensions and National Insurance and the Central Office of Information, the booklet describes briefly the revised system of national insurance and explains how for the first time retirement pensions - and contributions - will bear a relation to an employee's earnings. The booklet explains the operation of the two schemes of national insurance - the main scheme (compulsory for nearly everyone) and the industrial injuries scheme (compulsory for everyone working for an employer). Also given are the new rates of contributions and who pays them, together with the new rates of pensions and benefits, the conditions on which they are paid and how and when to claim them.

### ANNOTATED TAX CASES

Part 6 of Volume XXXIX of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports with notes on the judgments of the following cases: *Thomas Wilson (Keighley) Ltd v. Emmerson* (Ch.D.); *Thomson v. Moyse* (H.L.); *Littlewoods Mail Order Stores v. C.I.R.* (Ch.D.); *In re Duke of Bedford* (Ch.D.); *North of Scotland Hydro-Electric Board v. C.I.R.* (C.S.); *Jeffery v. Rolls-Royce Ltd* (Ch.D.).

The annual subscription to the *Annotated Tax Cases* is 50s post free; the publishers are Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.

### THE INSTITUTE OF INTERNAL AUDITORS

#### Yorkshire Chapter

The next meeting of the Yorkshire Chapter will be held on Tuesday, April 25th, at 7 p.m. at *The Guildford Hotel*, The Headrow, Leeds, 1, when Mr A. P. Whyte, B.Sc.(ECON.), F.C.A., will speak on 'Practical aspects of internal audit'.

The secretary of the Chapter is Mr J. Coates, divisional internal auditor, Shell-Mex and B.P. Ltd, Shell-BP House, Eastgate, Leeds, 2.

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**SOUTH WALES AND MONMOUTHSHIRE  
SOCIETY OF CHARTERED ACCOUNTANTS**

A joint meeting of the South Wales and Monmouthshire Society of Chartered Accountants and the Association of Inspectors of Taxes (Cardiff Centre) was held at Cardiff recently, when Mr T. W. Pickard, F.C.A., President of the Society, presided.

The meeting took the form of a brains trust, and the panel consisted of three representatives of the Association and three members of the District Society.

Questions of interest and benefit were dealt with. A vote of thanks to the chairman and to the members of the panel was proposed by Mr Edgar Shepherd, F.C.A., Vice-President of the Society, and seconded by Mr F. Davies (Swansea 2nd District). In acknowledging the vote of thanks, the President expressed appreciation to Mr E. Ewart Pearce, M.B.E., F.C.A., J.P., and Mr Glyn Brown (Cardiff 1st District), for arranging such a successful evening.

**OXFORD CHARTERED ACCOUNTANT  
STUDENTS' SOCIETY**

The annual report for 1960 of the Oxford Chartered Accountant Students' Society, presented at the Society's recent twelfth annual meeting records a total membership at the year end of 118.

A comprehensive series of lectures was held during the year and pre-examination courses were also arranged. In addition there were group visits to London - to the Law Courts and the Companies Registration Office, and to see *The Times* being published. Social functions included a successful dinner at University College, Oxford, and the annual dance at the Forum Restaurant attended by over 200 members and guests.

The following officers of the Society have been elected for the ensuing year:

*President:* Mr O. B. T. Bennett, F.C.A.

*Vice-President:* Mr S. E. Clark, F.C.A.

*Hon. Secretary:* Mr J. Kingham, c/o Messrs W. M. Bayliss, Sons & Co, 16 Broad Street, Oxford.

*Hon. Assistant Secretary:* Mr C. P. Burton.

*Hon. Treasurer:* Mr J. D. Andrewes, B.A.

*Hon. Librarian:* Mr P. T. Venables.

*Committee:* Messrs F. G. Harris, F.C.A., R. H. Langdon-Davies, D.F.C., F.C.A., J. H. Starmer-Smith, D. E. Mitchell, J. A. C. Offer, A. E. Woodward.

*Hon. Auditors:* Messrs G. B. Watson, F.C.A., I. R. Peedell.

**HOCKEY****Insurance H.A., 4; Chartered Accountants, 3**

Once again the Chartered Accountants' Hockey Club narrowly failed to defeat the Insurance Hockey Association in a match played recently. The Insurance H.A. scored first from a good centre, but Martin equalized when he converted a centre from Bowers on the right. The Insurance H.A. continued to attack and

scored their second goal with a shot that ricocheted off the post. The Accountants were undeterred and Freer equalized following a good run by Meyers.

At the commencement of the second half the Accountants took up the attack and the inside forwards Freer, Meyers and Wilkinson were nearly through on several occasions. As the game wore on the Insurance H.A. forwards came back into the picture and with only a few minutes of the game remaining, they scored from a short corner. A further shock came when they scored another goal from a penalty bully. Freer, however, scored again for the Accountants with what was almost the last hit of the match.

**Club Membership**

The Chartered Accountants' Hockey Club was founded in 1949 and plays a series of eight matches per season. Six matches are usually played during the normal hockey season on Wednesday afternoons and two matches are played during the evening in the summer season. Six matches are also arranged for article clerk. Any chartered accountant or article clerk who is interested in joining the Club should write to Mr S. N. Elgar, of 22 Queen Anne Street, London, W1.

**THE INSTITUTE OF OFFICE MANAGEMENT  
National Conference**

'The challenge of the sixties' is to be the theme of The Institute of Office Management 1961 national conference to be held at *The Grand Hotel*, Scarborough, from May 4th to 6th. The opening address will be given by The Earl of Courtown, O.B.E., President of the Institute.

Papers will include 'Revolution in the office', by Mr J. E. Wall, O.B.E., managing director of E.M.I. Ltd, and 'Managers for the revolution', by Dr Colin A. Cooke, O.B.E., Fellow and Senior Bursar, Magdalen College, Cambridge. There will be four seminars during the conference, which will be followed by discussion in groups, on 'E.D.P. in the sixties - impact on staff'; 'O. & M. in the sixties - likely developments'; 'Office supervisors in the sixties' and 'The smaller office in the sixties'. The conference will conclude with a final address by General Sir Robert Mansergh, G.C.B., K.B.E., M.C., formerly Commander-in-Chief, United Kingdom Land Forces; Commander-in-Chief, Allied Forces Northern Europe.

**INSTITUTE OF ACTUARIES**

An ordinary general meeting of The Institute of Actuaries will be held in Staple Inn Hall on April 24th, at 5 p.m., when a paper by Messrs Geoffrey Heywood, M.B.E., F.I.A., F.F.A., and Maxwell Lander, F.I.A., F.F.A., entitled 'Pension fund valuations in modern conditions', will be submitted.

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## Budget Reflections

**R**EACTION to the Budget has naturally been varied. The CHANCELLOR's forthright line has, on the whole, been applauded - particularly his innovation in the proposed economic regulators. Apart from the Opposition's castigation of the surtax reliefs, perhaps the most criticized measure is the increase in the profits tax; on this, building society spokesmen have been especially vocal.

In the three-day debate in the House of Commons last week, MR HAROLD WILSON, the Opposition shadow-Chancellor, described the Budget as the second Budget, saying the first was introduced two months ago by THE MINISTER OF HEALTH when health charges and national insurance contributions were increased. The latter increase imposed a poll tax of 10d a week on all, the new surtax relief gave £9 a week to the £5,000 a year married man, and £35 a week to the £25,000 a year man; it would take the additional weekly stamp contributions of 840 men to provide surtax relief for one man.

MR WILSON complained of excessive Government spending at a time when health charges were increased, and he expressed doubt that the 4s per week pay-roll tax would in fact make employers release men; he suggested that the best way to achieve economy in manpower was to let wages rise. He attacked the increased tax on cars, suggesting that tax should be calculated on the area covered by the car, a small tax for a minicar, a large one for some of the American 'obscenities' which were coming over in increasing numbers and taking up so much parking space. He made four suggestions about income tax and car expenses: to abolish the initial allowance; to provide that the deductible annual value of car use allowed to any employee should not exceed, say, 4 per cent of his declared income; to tax each individual on an assumed 50 per cent private use except where full records are kept; and to disallow expenditure where the employee's wife was allowed to drive the car. He refused to believe that exports were being kept down because exporters were sulking about their surtax, and he pointed out that the reduction in surtax applied also to importers. If they, too, increased their efforts to the same extent the desired increase in exports would be cancelled by a rise in imports.

In considering taxation, there are, broadly speaking, two diametrically opposed schools of thought. One school looks at the gross national income as belonging to the nation as a whole, to be distributed in accordance with certain abstract principles of need; the other school takes the not unnatural view that what a man earns is his own, and that to relieve him of any of it is an evil which is to

be strictly limited. In the latter case, to speak of the new surtax provisions as 'gifts' to surtax payers is somewhat of a misnomer.

We have had some hard things to say in this journal of the Revenue practice of taxing some notional amount for 'home savings' whenever a taxpayer claims travelling or a deduction for travelling or subsistence expenses. THE PRESIDENT OF THE BOARD OF TRADE went even further; he described it as 'silly'; that being so, one is surprised that it has been permitted so long.

Very little enthusiasm was expressed from either side of the House for the extra  $2\frac{1}{2}$  per cent profits tax. This tax has gone up by 50 per cent in the last twelve months. It is not a deductible expense for income tax purposes, so the real burden is much greater than would appear. Ostensibly the increase is to pay for the surtax concessions but the ultimate effect of the two changes is extraordinarily difficult to estimate. In so far as the Government say that the surtax concessions constitute a real benefit to surtax payers, they must be assuming that the increase in profits tax will fall on the shoulders of other people. But is this really so? There is a very large area of identity between individuals who pay surtax on earned income and individuals who own the equity of trading companies. The Opposition would have preferred a capital gains tax, and they very much doubted whether the increase in profits tax would inhibit dividend-paying. It was pointed out that after the similar increase in 1960 there was a remarkable rise in the amount of dividends paid, not a fall.

Speaking of the suggested capital gains tax, MR GEOFFREY STEVENS, F.C.A., M.P., quoted some statistics to show that in the realm of quoted securities, such a tax would have been unlikely to produce anything in 1960. At the beginning of the year the total market value of all securities quoted on the London Stock Exchange was £37,670 million; at the end of the year it was £37,075 million. In 1957 there was a fall from £28,437 million to £25,371 million. MR BRUCE MILLAN, C.A., M.P., objected that this showed a remarkable increase in 1958-59; he also pointed out that the value of land had risen enormously.

Opening the third day of the debate THE ECONOMIC SECRETARY TO THE TREASURY gave further information about the proposed power to impose a payroll tax. He said that there would be

no distinction between employers by reason of industry, type of employment or geographical location. On the other hand, it would be possible to have different rates of surcharge in respect of different categories of employed persons, that is to say, different 'descriptions' of insured persons in the sense of the National Insurance Acts. Consequently the surcharge could be at one rate for all employed persons, or there could be different rates for men and women and boys and girls.

MR BARBER dealt with the criticisms of the absence of income tax relief for non-surtax payers. He said that ten years ago, after the Opposition Budget in 1951, a married man with two children and earning £11 a week paid £28 16s 9d a year in income tax. Now he paid nothing. A man in the same circumstances earning £15 a week paid £83 8s tax ten years ago; now he paid only £17 5s 10d. It was true that the cost of living had gone up, but so have earnings.

What may, perhaps, be regarded as a remarkable omission from the Budget proposals is the absence of any reference to anti-avoidance legislation. The Finance Act, 1960, contains a large indigestible mass of this, much of a matter of improvisation during the course of the passage of the Bill through the House of Commons, in particular Section 28 which is extraordinarily difficult to construe. One would have expected some promise that this legislative morass would be cleaned up. Again, there are some avoidance devices which are no more laudable than some of those attacked in the 1960 Act, but there is no indication that they are to be similarly attacked. It may be that the Inland Revenue is waiting to see what the Special Commissioners and the Courts will make of the Parliamentary draftsman's efforts on the 1960 Act before seeking to have it improved. Certainly, there is little indication of any eagerness on the part of the Inland Revenue to grant clearances under, say, Section 28 (10). That section is creating the most awkward uncertainties for business men and investors, who are almost completely in the dark as to the probable tax repercussions of a whole host of normal business transactions. Of course, by stepping up profits tax and reducing surtax on earnings, the temptation to build up reserves instead of taking profit in the form of directors' remuneration is reduced. At the same time this reduces the field in which directions under Section 28 are needed.

## The Association's Year

THE Association of Certified and Corporate Accountants has had another busy and successful year judging by the Council's 1960 report—extracts from which we reproduced in the issue of April 8th—and by the proceedings of its fifty-sixth annual general meeting, held in London on Tuesday and reported elsewhere in this issue.

The membership at the end of the year was 10,817 and the number of students and graduates on the register 8,254. This last figure is 698 more than the 1959 total but, unfortunately, on the evidence of the examination results, the quantitative increase is not accompanied by a corresponding improvement in quality. In the Intermediate examination, only 32 per cent of the candidates were successful as compared with 37 per cent in 1959 and 44 per cent in 1958. In Section I of the Final examination, 31 per cent passed as against 33 per cent in 1959 and 34 per cent in 1958 and, in Section II, 44 per cent as against 49 per cent and 43 per cent. It is true that the 1960 proportions of passes were much better on the whole than those for 1956 and 1957 but the element of inconsistency must be disturbing and, as MR J. E. HARRIS, B.COM., F.A.C.C.A., states in his presidential address, the Council is seeking to improve the educational standards of registered students by reducing the period of practical training by one year for entrants who have spent two years in the sixth form and have obtained two or more G.C.E. subjects at advanced level.

One other self-criticism mentioned in the report refers to the continued apathy shown by so many members towards the activities of the district societies. As we pointed out in a leading article three years ago when referring to this point, lack of enthusiasm amounting to indifference by a substantial section of its members will in time sap the vitality of any corporate organization, and it is to be hoped that the efforts of those who are at present keeping the district societies going will be given better support.

So much for the debit side. On the credit side there are many items in the Council's report to commend. Not the least of these is that, in a

phase of rising costs, the Association managed to control expenditure without reducing the level of its activities and, out of a total income of £78,141, show a surplus of £7,290. Of this sum, £1,500 was set aside to meet expenses at next year's International Congress (£2,500 is now in the 'kitty' for this purpose), £1,000 transferred to the reserve fund (now in total £6,000) and the balance added to the accumulated fund which, with the reserve and parliamentary funds included, was £80,375 at December 31st, 1960.

Another aspect of the Council's work always worthy of praise is the research undertaken by its various subcommittees. During the year, the Council submitted memoranda to the Board of Inland Revenue on the penalty provisions of the Income Tax Acts, to THE CHANCELLOR OF THE EXCHEQUER on recommendations for the 1961 Budget and to the Company Law Amendment Committee. It also published in February of this year a booklet explaining the new audit provisions of the Building Societies Act of 1960. The third of a series of studies on electronic data processing appeared recently and, complementary to these cultural activities were added two successful week-end schools, one at Oxford in April when the theme was 'An application of electronic data processing', and another at Cambridge in March of this year on 'Management accounting'.

The Budget preceding the presidential address by a few days, MR HARRIS, as have done a number of his predecessors, took the chance on Tuesday to make a few comments on the CHANCELLOR's fiscal manoeuvres. While prepared to suspend judgment until these have been given a chance to work, it is evident that the President does not consider them sufficiently dynamic either to stimulate exports or to increase the flow of risk capital to new enterprises and that he would have preferred the introduction of more imaginative measures.

After a distinguished term of office, MR HARRIS steps down from the chair and, to his successor, MR G. L. BARKER, F.A.C.C.A., of Leeds; and to the new Vice-President, MR EDGAR SPENCER, F.A.C.C.A., of Nottingham, we offer our congratulations.

# Capital and Revenue

## AN INTERPRETATION OF BASIC CONCEPTS

by M. MITCHELL, A.C.A.

**T**HE common belief of contemporary business folklore that accountancy is an exact science is, of course, quite untrue. The very essence of accountancy lies in its qualitative distinction between capital and revenue, and it is this essence which is shot through with ambiguity and confusion.

### Textbook Definitions

Take textbook conceptions of capital and revenue. These link capital expenditure to the acquisition, extension and improvement of fixed assets. Revenue expenditure, they say, is incurred in trading, in purchasing goods for resale, in selling goods and in administering the business. Here is a typical elaboration of the differences, from Spicer and Pegler's *Book-keeping and Accounts* (14th edition, page 4):

'Since capital expenditure results in some more or less permanent benefit to the business it is written off piecemeal, the proportion unexpired at the end of each accounting period being carried forward to continue to form part of the capital worth of the business. Revenue expenditure, on the other hand, contributes only once to the earning of profit, and except to the extent that it is represented by unsold stock and payments in advance, is wholly exhausted and written off against profits in the period in which it is incurred.'

Such explanations are open to a number of questions. For example, What is 'capital worth'? Does this term imply another sort of worth? Or take the term 'unsold stock'. Can stock be anything but unsold? More significantly, it is suggested that capital expenditure results in a more or less permanent benefit to a business, in contrast to revenue expenditure which, it appears, is of an immediate and transitory value. But may not revenue expenditure dispose a lasting benefit, for example, in the form of successful advertising which increases turnover or in improved administrative efficiency?

The textbook explanations suffer from an unnecessary formalization of capital and revenue. This is evident in their conception of stock which is seen as unexhausted revenue expenditure. But the stock of the first production cycle, before there have been any sales, stand with the fixed

assets in the balance sheet as part of the 'capital' of the business. It is capital before it is revenue and only becomes revenue when the goods have been sold. The ambiguity of the explanations arises because a rigid separation is made between capital and revenue. There is no apparent awareness of the dynamic interchangeability of capital and revenue. Capital is not seen for what it is, contradictory and permanently unstable as it for ever moves, turns over and is consumed in the form of revenue, only to be resurrected as capital once more.

### Capital as Revenue

This duality is clear enough when capital moves between two businesses. The stock sold by one business may be the fixed asset acquired by another so that what appears as revenue to one firm is capital to another. So elemental is this relativity of capital, this metamorphosis of capital into revenue as it turns over throughout industry, that it extends even to the smallest orbit taken by capital, the single production cycle of the single firm.

We can track this orbit by means of a series of balance sheets, so simplified that only the essential forms of capital are displayed. Such balance sheets might be descriptive of an early state of industry when selling and goodwill expenses are virtually non-existent and monopoly profits are at a minimum. The main costs are prime costs and certain fixed costs such as depreciation. Overheads occupy only a small part of the total cost of production and have been ignored in the following examples.

### Production Cycle

Let capital take the following form as it enters the production cycle:

Fig. 1

Capital (say)	<u>£10,000</u>	Cash	..	..	<u>£10,000</u>
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Of course, this is not the earliest, let alone the only form of capital. The genealogy of capital really has no beginning. The mere appearance of capital, in whatever form, immediately requires a prior revenue surplus which is accumulated to be used as capital. But the revenue surplus itself

is a product of capital. Like the chicken and the egg, capital and revenue share a bewildering relationship. They are their own begetters as well as their own offsprings.

Capital takes many shapes. We might just as well have substituted plant or work in progress for cash in the above balance sheet. For convenience we have chosen cash. What is the significance, then, of the balance sheet? It introduces a process in which a surplus is to be created. The process is the turnover of capital. Capital, then, is descriptive of a certain function, that of creating a surplus. This is the objective condition of the left-hand side of the balance sheet, the functional side, which states the purpose of the balance sheet. On the right-hand side, capital appears in the forms appropriate to its various stages of turnover. This is the subjective side of the balance sheet. The first stage of the production cycle is the partial conversion of money capital into physical or productive capital, that is, into means of production:

Fig. 2

Capital	..	£10,000	Plant	..	..	£5,000
			Cash	..	..	5,000

The conversion of money capital into means of production is completed by the purchase of materials and labour. Production now takes place and goods are created for sale:

Fig. 3

Capital	..	£10,000	Plant	..	..	£4,500
			Finished stock	..	..	5,500

### Periods of Turnover

Although the production cycle is finished, capital has not yet turned over. The finished stock has yet to circulate in the market and return enhanced in value in the form of cash. The period of turnover of capital is the total of the period of production, plus the period of circulation. Between the two periods is a relationship of some importance, both in respect of the amount of capital required in a business and in the nature of the business itself. For example, a manufacturer of capital goods will invest considerable sums in work in progress but little in finished stocks, whereas by contrast a manufacturer of consumer goods is likely to invest a far greater proportion of his capital in finished stocks even though the total investment of capital may be the same in each case.

The size of the capital invested in the business is considerably influenced by the period of

circulation. The larger the period of circulation of one production cycle, the more capital that must be found for the second production cycle; hence, for example, the attractiveness of long-term contracts in reducing turnover time.

### Circulating Capital

In the balance sheet previously envisaged the finished stock about to be realized is broken down, let us say, into the following costs:

Fig. 4

Prime costs:					£
Material	..	..	..	..	2,500
Labour	..	..	..	..	2,500
					<hr/>
Total prime costs	..	..	..	..	5,000
Depreciation	..	..	..	..	500
					<hr/>
					£5,500

Now the sum £5,500, combines two elements of capital: circulating capital proper valued at £5,000 and the portion of fixed capital which enters into production, depreciating at an annual rate of £500. The period of production is one year and assuming immediate realization, one year then is the turnover period of circulating capital. The turnover of fixed capital is £500 in the year; of circulating capital £5,000; of total capital £5,500. The investment of £10,000 takes 1.818 years to turn over.

The annual turnover of capital can be determined likewise for any investment. For example, an investment of £20,000 is spread, let us say, over £15,000 fixed capital with an estimated ten-year life-span, and £5,000 circulating capital which turns over, say, six times a year. Then the annual turnover of capital is:

Fig. 5

g. 5				£
Fixed capital	..	..	..	1,500
Circulating capital	..	..	..	30,000
				<hr/>
Annual turnover of capital	..	..	..	<u>£31,500</u>
				<hr/>
Rate of turnover	$\frac{£31,500}{£20,000}$	=		<u>1.575</u>
Period of turnover	..	..	..	7.62 months

### Rate of Turnover

The faster the rate of turnover, the shorter will tend to be the period of turnover, hence the greater turnover in a year and the greater the resulting profits. Turnover may be accelerated



Fig. 6

	Old capital		New capital	
	Stock basis	Turnover basis	Stock basis	Turnover basis
	£	£	£	£
1. Fixed .. .. .	$15,000 \times \frac{1}{10} =$	1,500	$20,000 \times \frac{1}{10} =$	2,000
2. Circulating .. .. .	$5,000 \times 6 =$	30,000	$5,000 \times 7 =$	35,000
3. Total . . . . .	<u>£20,000</u>	<u>£31,500</u>	<u>£25,000</u>	<u>£37,000</u>
4. Rate of turnover .. .. .		<u>1.575</u>		<u>1.480</u>
5. Profit .. .. .		<u>£3,150</u>		<u>£3,425</u>
6. Return on investment .. .. .		<u>15.75 per cent</u>		<u>13.70 per cent</u>

by increased efficiency in the use of existing equipment; or by investment in fixed capital in new and more productive plant.

Existing equipment is made more productive through better production planning, assembly line techniques, control instrumentation, none of which need require major investment in new plant, but which greatly accelerate the production cycle. Such economies in capital and labour were characteristic of the early history of Fords when, over a period of ten years, the production cycle of a car was cut from three weeks to as many days.

Additional expenditure on fixed capital must be considered in relation to its effect on the rate of profit to capital invested. In the comparisons in Figure 6 the profitability arising out of new investment in fixed plant is measured against capital which is calculated first on a static or stock basis and second on a dynamic basis, as a flow, revenue or turnover. The sale price of the unit output is the same in each case.

Although more profit has been earned absolutely by the investment in new plant, the rate of profit has fallen (from 15.75 per cent to 13.70 per cent, line 6). The amount of capital invested has expanded faster than the amount of capital turning over (line 3). The effect of the new plant on productivity was to increase the turnover of circulating capital (line 2) by one-sixth, that is, from six times a year to seven times a year (line 2), so that one-sixth as many products were produced. At the same price, insufficient profit was earned to maintain the same return on investment. In order to maintain or increase the return, the circulating capital would either have to turn over faster, or there would have to be a reduction in the total cost of the production cycle. Assuming no increase in turnover of circulating capital but a reduction of £500 prime costs, then the result of the new investment in fixed plant would be as shown in Figure 7.

Fig. 7

	New capital	
	Stock basis	Turnover basis
	£	£
Fixed .. .. .	20,000	2,000
Circulating .. .. .	<u>4,500</u>	<u>27,000</u>
Total .. .. .	<u>£24,500</u>	<u>£29,000</u>
Rate of turnover		<u>1.184</u>
Profit .. .. .		<u>£5,650</u>
Return on investment .. .. .		<u>23.06%</u>

The significant feature here is not the rate of turnover which has fallen (old capital 1.575 new capital 1.184) but the savings in the absolute size of capital turning over (old capital £31,500; new capital £29,000), so that the same output as before can be produced at a much lower cost.

### Investment of Surplus

The circulating capital in Figure 3 has been left in an uncomfortable position. It is poised to be realized in the market. The moment it goes forth into the world it is transformed into revenue, and returns flourishing in its wake a surplus of, say, £2,000. The new balance sheet appears thus:

Fig. 8

Capital ..	£12,000	Plant ..	£4,500
		Cash ..	<u>7,500</u>

£2,000 represents the realization of circulating capital at £7,500, less its cost at £5,500. The cash surplus is greater at £2,500 since the charge for depreciation is not a payment but a provision.

A full cycle of capital has now taken place. If no distribution of surplus is assumed, then £2,000 is able to enter as capital into the next production cycle alongside the original circulating capital of £5,500. The turnover of capital

Fig. 9

	Original investment		Intensified production		Extended production	
	1 Stock basis	2 Turnover basis	3 Stock basis	4 Turnover basis	5 Stock basis	6 Turnover basis
Fixed capital .. ..	£ 5,000	500	£ 4,500	500	£ 5,500	600
Circulating capital ..	5,000	5,000	7,500	7,500	6,500	7,800
Total .. ..	<u>£10,000</u>	<u>£5,500</u>	<u>£12,000</u>	<u>£8,000</u>	<u>£12,000</u>	<u>£8,400</u>
Value of output at £15 per unit .. ..		£7,500		£11,250		£11,700
Profit .. ..		<u>£2,000</u>		<u>£3,250</u>		<u>£3,300</u>
Annual rate of turnover		·550		·667		·700
Return on investment ..	20 per cent		27·08 per cent		27·50 per cent	

has shifted into a wider orbit shaped like a spiral.

If the surplus is not fully employed then, *ceteris paribus*, the return on investment will fall. Investment may be injected into replacement of obsolete plant, in stocks and work in progress, in extending plant, or in intensifying production. The table in Figure 9 compares investment of surplus in intensified production (columns 3 and 4) against extended production (columns 5 and 6). In columns 1 and 2 are shown the original investment.

In columns 3 and 4 the £2,000 surplus was invested in the additional work in progress required for the greater volume of output which was achieved by intensifying the use of existing plant. This investment raised the return from 20 per cent in column 1 to 27·08 per cent in column 3. However, columns 5 and 6 show an even greater return at 27·50 per cent. The surplus here was invested as to £1,000 in plant and £1,000 in additional work in progress. The result was that new plant turned over output faster than the existing plant which, even when working to capacity, allowed the circulating capital to turn over only once a year. The new plant increased the rate of circulating capital turnover to 1·2 times per annum (i.e.  $\frac{£7,800}{£6,500}$ ), so that an output valued at £11,700 (column 6) was placed on the market compared with £11,250 (column 4).

### • Profit and Loss Account

In the balance sheet capital reveals itself as capital. The moment it enters the profit and loss account it declares itself to be revenue. This circulates in the trading or operating section to realize a revenue surplus which passes into the

appropriation account. Here some may be withdrawn as dividends or passed back into the balance sheet as new capital.

The profit and loss account relative to Figures 3 and 8 is simply:

	£	£
Sales .. ..		7,500
Cost of sales:		
Prime costs including power, fuel, etc. .. ..	5,000	
Depreciation .. ..	500	
	<u>5,500</u>	
Operating profit .. ..		<u>£2,000</u>

The above cost of sales is the cost of capital turned over in the production cycle and consists of production costs only. The absence of non-production overhead costs can be explained by the assumption made in the opening paragraphs of this article of an early-state industry. In the early days of industry, administration, management and selling costs would be negligible compared with prime costs. For example, the entrepreneur himself would be his own buyer, production manager, engineer, designer, salesman, administrator and even accountant.

Consider the situation nowadays. The sheer size and spread of modern industry, its complexity, the enormous concentration of investment resources, the pace and power of competition between gigantic corporations, such is the basis for the growth of an immense superstructure of administration, management and selling costs. In place of the old-time entrepreneur, is a proliferation of buying, production, accounting, inspection, sales and public relations

departments, to name only some of the overhead costs of modern industry.

Not all of such overhead costs are incorporated in the value of circulating capital. Selling costs, for example, are incurred in order to realize circulating capital in the form of revenue, whereas production costs are expended directly in creating the values to be realized. Clearly, a line must be drawn between those overhead costs of a productive nature, incurred directly in the formation of capital to be realized, and those of non-productive nature, such as selling and financial costs incurred in the realizing or financing of the capital.

Where the line should be drawn between productive and non-productive costs must be somewhat arbitrary. Factory overheads and, it could properly be said, a large part of administrative costs are, broadly speaking, of a productive nature. On the other hand, advertising costs, the cost of sales departments, financial costs, are non-productive in the sense of creating capital. The significance of these non-productive costs is that they are revenue costs only, that is, not part of the cost of capital turning over and, for example, should not be capitalized as part of the value of work in progress. Further, they can only be paid for out of operating profits. An undoubted feature of recent years has been, on the one hand, the growing profitability of productive expenditure arising out of automation and technological advances, while there has been, on the other hand, a remarkable increase in the appropriation of

this profitability in the form of increased selling expenditures.

The basic shape of the profit and loss account appears to be:

Fig. 11

Operating profit on the turnover of circulating capital .. .. .	£
Less Selling and other non-productive costs .. .. .	
Net profit .. .. .	
Less Appropriations:	
Taxation .. .. .	
Dividends .. .. .	
Surplus invested in the next period of capital turnover .. .. .	£

### Conclusions

This article has tried to show that some of the basic concepts accountancy holds about capital are too formal; that a dynamic approach is necessary in order to understand the nature of business, particularly manufacturing business. Such an approach is not only useful for management purposes but leads ultimately to an examination of the nature of cost and value. Can accountancy conduct such an examination? Not by itself, since there are many theoretical problems to overcome that belong to the field of economics. But by studying the phenomenon of capital, accountancy can go far to explain the nature of business activity.

## THE ACCOUNTING WORLD

# Taxation in Australia

THE investor or business enterprise residing outside Australia will find that the level of Australian taxes is favourable when compared with taxation in other Western democracies. This is true not only of Federal taxes but also when taxes imposed by State Parliaments are taken into account.

### Dual System

The Federal system of government in Australia allows both the Federal and the State Parliaments to enact taxation laws but, in practice, there is no general duplication of taxes. Income tax is imposed only by the Federal Government. So, too, is sales tax, the equivalent of the purchase tax imposed in some countries. On the other hand, the States alone enter the field of land tax and stamp duties.

Each of the States and the Federal Government

imposes a death duty of some kind, but State death duties are deducted in arriving at the value of property upon which the Federal duty is levied.

There is no capital gains tax in Australia.

Double taxation agreements concluded by Australia with the United Kingdom, the United States, Canada and New Zealand have as a prime purpose the protection of residents of those countries from an undue level of taxation upon Australian income. In other cases, the allowance of credits or other relief measures are provided by the laws of the countries concerned.

Within Australia, tax on salaries and wages is collected by instalments deducted when the remuneration is paid. Stated broadly, tax on other classes of income derived by individuals is collected on the equivalent of a 'pay-as-you-earn' system. In these



cases, a provisional tax is payable during each income year and is based upon an estimate of the income that the individual may be expected to derive in that year. Generally, the actual income of the preceding year is adopted as a basis for the provisional tax, but for any income year a taxpayer may submit his own estimate of the income he expects to derive in that year. After the end of each income year, the actual income is ascertained and the tax thereon is assessed. Against that tax a credit is allowed for the provisional tax paid.

### Company Taxation

Company tax is not collected on a 'pay-as-you-earn' basis but is based each year upon the income derived in the preceding income year.

The income tax year in Australia ends on June 30th and returns of income are called for annually.

Tax on dividends paid after June 30th, 1960, by Australian companies to shareholders not resident in Australia may, however, be met by a withholding tax deducted from the dividends at the time of payment. These dividends are not taken into account in assessments, except where the shareholder elects to have the assessment basis applied.

All taxpayers have rights of objection and appeal against assessments. An inexpensive system of appeals is provided by the establishment of Taxation Boards of Review. Decisions of these Boards on points of law may be taken on appeal to the Courts or, alternatively, taxpayers may appeal directly to the Courts on any matter in dispute with the Commissioner of Taxation.

### Taxable income

The basis of an income tax assessment is the 'assessable income'. All allowable deductions are subtracted from the assessable income derived, the result being the 'taxable income'. Tax, other than dividend withholding tax, is imposed on taxable income.

### Assessable income

Briefly stated, assessable income is the gross income, other than amounts specifically exempted from tax and dividends on which the dividend withholding tax is accepted as the final liability for Australian tax. In addition to ordinary trading receipts and investment income, it may include:

- (a) profits from the sale of property acquired for re-sale at a profit or from the conduct of a profit-making scheme or undertaking;
- (b) beneficial interests in the income of a trust estate;
- (c) 5 per cent of retiring allowance paid in a lump sum (the balance of such allowances is exempt from tax);
- (d) the value of allowances, gratuities, compensations, benefits, bonuses and premiums relating to services rendered;
- (e) royalties, bounties and subsidies related to a business, fees and commissions for procuring a loan, and bonuses other than a reversionary bonus on a life assurance policy; and
- (f) insurance or indemnity payments for loss of trading stock or loss of profit or of income that would have been assessable income.

### Exempt income

In the hands of a non-resident of Australia, all income from sources wholly outside Australia is exempt income and is not taken into account in determining the rate of tax payable on the taxable income. Tax is not payable by an individual unless the taxable income of the year exceeds £A104.

### Allowable deductions

The general provisions of the law allow deductions for expenses incurred in gaining or producing assessable income other than expenses of a capital, private or domestic nature. In addition, deductions are allowed for losses of the previous seven years, bad debts written off, premiums paid for the leasehold of property used in gaining assessable income, amortization of capital expenditure relating to patent rights and copyright used in gaining assessable income, rates and taxes, gifts to public benevolent institutions, public hospitals, etc., and (within limits) contributions to superannuation funds for employees.

### Depreciation Allowances

Depreciation on plant and equipment owned and used in the production of assessable income is an allowable deduction. Taxpayers have the choice of equal annual deductions calculated on the 'straight-line' method or of claiming deductions on the reducing-balance method. Where the 'straight-line' method is adopted the rate of depreciation is determined by the estimated effective life of the unit concerned. If the reducing-balance method is chosen, the rate of depreciation is one and one-half times the rate applicable under the 'straight-line' method. As a complement to the annual deductions, a system of balancing adjustments applies when the unit is disposed of, lost or destroyed.

In the case of the agricultural, pastoral and pearling industries, a special flat rate of depreciation of 20 per cent is at present allowed on plant, equipment and structural improvements (including, with specified limits, residential accommodation for employees). This special rate also applies to plant and equipment used in the fishing industry.

Special provisions allow primary producers and mining enterprises to deduct certain capital expenditure.

### Mining and Prospecting

Mine owners may deduct capital expenditure on necessary plant and development of the mining property. A choice is given of taking the deduction either outright in the year in which the expenditure is incurred, or in annual instalments over the life of the mine. Under a further alternative, a deduction may be allowed for amounts of assessable income appropriated for these purposes but not spent during the year in which the appropriated income was derived. Capital expenditure on housing and welfare provided on or adjacent to the mining property for use of employees and their dependants may be deducted over the life of the mine; or a mine owner may elect



to deduct expenditure on housing or welfare for employees and their dependants in five equal annual instalments.

Expenditure incurred in exploring or prospecting for metals or minerals is an allowable deduction up to the amount of net income from mining activities. Amounts not allowed in one year are carried forward and allowed in subsequent years in which the person carries on mining operations.

A special deduction is allowed to a person who pays calls to certain mining and afforestation companies. The deduction applies where the principal business

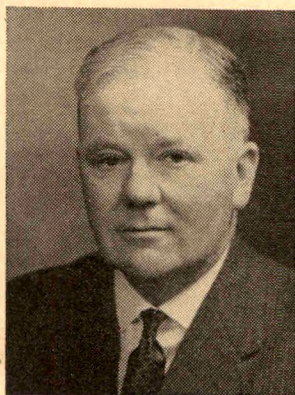
carried on by the company or syndicate is mining or prospecting in Australia for gold, silver, base metals, rare minerals or oil or afforestation in Australia. The amount of the deduction is one-third of the calls paid to those companies and syndicates. Persons residing outside Australia are entitled to this deduction from income derived from sources in Australia.

In the event of a person taking up residence in Australia, deductions are allowed in respect of the maintenance of dependants, medical expenses, education expenses of children, life assurance and premiums.

## Weekly Notes

### The Association's New President

AS reported elsewhere in this issue, Mr George Leaning Barker, F.A.C.C.A., was elected President of The Association of Certified and Corporate Accountants last Tuesday.



Mr G. L. Barker

Mr Barker, who is senior partner in the firm of George L. Barker & Co, Certified Accountants, of Leeds, qualified as a member of the former London Association of Accountants in 1933 and has been in public practice continuously since that time. He was elected to the Council of the Association in 1951 and has subsequently served

on all the Committees of the Council. At present he is a member of the Finance, Parliamentary and Law, Library and Publications, and Disciplinary Committees.

Mr Barker has played a prominent part in district society affairs and is a former President of the West Yorkshire District Society of the Association. He is a director of a number of companies.

Mr Edgar Spencer, F.A.C.C.A., of Nottingham, has been elected as Vice-President. Mr Spencer, who is a partner in the firm of Rogers, Son & Spencer, Certified Accountants, of Nottingham, was elected to the Council in 1952 and is at present chairman of the Parliamentary and Law Committee.

### Benevolence at its Best

THE good work being done by The Chartered Accountants' Benevolent Association is again shiningly demonstrated in the seventy-fifth annual

report and accounts of the Board of Governors, just issued. The briefly recorded particulars of the 109 cases which were given assistance from the general fund emphasize the dire need of the beneficiaries and the amount of £19,103 paid out in grants and gifts in kind during the year ended February 28th, 1961, make the total thus expended by the Association since its inception in 1886 the magnificent sum of £304,306.

Readily forthcoming as is this help and substantial as are the funds of the Association, the need for greater financial support for this essential service is stressed by recorded deficits for each of the two years ended February 28th, 1959 and 1960 – the first since 1954 – of £2,438 and £1,080 respectively. At present, only one Institute member in ten belongs to the Association. The Board hopes shortly, when integration of The Incorporated Accountants' Benevolent Fund with the Association has been completed, to make an appeal for a large increase in the present membership of 3,583 and we hope that the response will be overwhelming.

New-comers to the Association can be assured of two things. One is that the money they subscribe will go to deserving cases and the other is that it will have deducted from it only the bare minimum for expenses. The services of the President of the Association, his distinguished committee and the secretariat of the Institute are given gratuitously in this most worthy cause of helping members of the Institute and their dependants who have fallen on hard times.

### Jenkins Committee Evidence

MORE minutes of evidence of the public proceedings of the Company Law Committee have been published, being days thirteen and fourteen,<sup>1</sup> i.e. February 3rd, and February 10th. On day thirteen the Committee heard witnesses for the General Council of the Bar, the Trades Union Congress, and British Overseas Banks Association. The fourteenth day was devoted to witnesses for Messrs Morgan Stanley & Co, of New York, Messrs Davis Polk Wardwell Sunderland & Kiendl, of New York, and Messrs Arthur Andersen & Co.

<sup>1</sup> H.M.S.O. 4s 6d and 5s.



The Bar Council's memorandum contains a suggestion about firms acting as auditors. It points out that the appointment of a firm is an appointment of all the partners of that firm at that time. A partner who retires from the firm does not thereby cease to be auditor of the company, nor does a new partner become one of the auditors. The Bar Council suggest that the law be changed so that the partners for the time being are auditors. They also suggest that where a firm has been appointed it should not be entitled to automatic reappointment. Another suggestion is that express provision be made for an auditor to resign, with the consent of the company in general meeting. A retiring auditor, says the memorandum, should be bound to state the reason for his retirement.

Mr W. H. Lawson, C.B.E., F.C.A., a member of the Committee, told the witnesses (Messrs P. J. Sykes and T. D. Divine) that firms of auditors who changed their composition always notified their clients. Professor Gower mentioned a case where a firm of auditors consisting of A. and B. sold the practice to C., and then C. claimed that he was the legal auditor of all the firm's company clients, which was quite wrong.

### Institute of Taxation

AT the annual meeting of the Institute of Taxation, held in London last Tuesday, Mr Frederick Bidston, F.A.C.C.A., the President, said that the Chancellor had shown considerable courage in his general approach to the Budget, though it remained to be seen if the measures proposed will prove his judgment to be as great as his courage.

Some readjustment of surtax had been long overdue, said Mr Bidston, and in the event the proposed changes were probably more generous than most people anticipated. He was, however, critical of the increase in profits tax; it was difficult to see how such an increase would help the ploughing back of profits for the re-equipment of industry, or encourage exports.

Many taxpayers, Mr Bidston thought, would question the equity of substantial surtax reductions while the elimination of Schedule A on owner-occupied properties had been passed over.

The Institute, said Mr Bidston, had maintained steady progress and close attention was being given by the Council to the important problems with which the Institute was concerned.

### Irish Budget

THE Finance Minister for the Republic of Ireland has introduced a Budget which brings the standard rate of income tax down from 7s to 6s 4d, the lowest rate for twenty years. Moreover, the 25 per cent earned income relief will be granted on the first £2,000 of earnings, instead of £1,800. The minimum income for surtax goes up from £2,000 to £2,500 and the number of rates reduced from eight to three, viz. 2s 6d on the first £2,000, 5s on the next £3,000, and 7s 6d on the balance. Part of the contri-

bution under the Social Welfare Acts will be deductible for tax, the corresponding benefits being charged as earned income. The maximum income for a dependant is raised from £80 to £110 in relation to dependent relative allowance. A married man separated from his wife but maintaining a child will be able to claim housekeeper allowance. Corporation profits tax will no longer be allowable as a deduction in arriving at profits for income tax purposes. Mine development allowances will be extended to open cast mining.

There has been some juggling with estate duty rates. Estates of £100,000 and over will pay only 40 per cent instead of rates varying from 41 per cent to 53 per cent. Rates of 1 per cent and 2 per cent are reintroduced; the first for estates in the range £5,000 to £6,000, the second in the range from £6,000 to £7,000. Where the deceased retained a small benefit in an *inter vivos* gift, the duty will be confined to the extent of the benefit. The 'disappearing trick' is to be countered, and new provisions for aggregation are to be passed. Tobacco duty goes up by 1s 9d a pound. The receipt stamp of 2d and *ad valorem* duties on bills of exchange are to be abolished, but the 2d fixed duty on cheques and bills goes up to 3d. The Minister made a number of comments on reports of the Tax Commission.

### B.T.C. on the Railways

THE British Transport Commission has now published its observations on the recent report of the Select Committee on Nationalized Industries.<sup>1</sup> The Commission's comments relate to two matters in particular.

The B.T.C. recognizes the merits of the Committee's recommendation that the cost of maintaining unprofitable railway services required in the national interest or on social grounds should be met by a direct subsidy from the State. They consider, however, that there are difficulties in the way of defining and identifying particular services. They point out that public attention has so far been focused on closing unremunerative branch lines or the withdrawal of passenger services - two types of unremunerative service which present no problems of definition. They think, however, that the implications of the Select Committee's proposals are wider than this, covering such matters as costs of country services, certain passenger services on main lines, commuter services, Sunday services and general merchandise and passenger services in particular areas. They consider that there are four different bases of estimating the cost of services and that the preparation and agreement of claims on the Ministry of Transport where certain services were to be closed, would be a major operation. These in turn

<sup>1</sup> Special report from the Select Committee on Nationalized Industries; British Railways, observations of the British Transport Commission and of the Minister of Transport. H.M.S.O. 1s.

might lead to intervention in management by the Government.

The B.T.C. comments on the Committee's recommendations on the modernization scheme that any business requires an element of flexibility. They consider that the Government's recent decision that projects costing over £250,000 must be placed

before the Minister for consideration, reduces this flexibility. The Minister, however, has let it be known that he does not consider that the level of £250,000 should be raised. He states that in 1961, £12 million of the Commission's expenditure on railway works projects – over a quarter of the whole – is below this figure.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 74

ONE of the pleasures of being an articled clerk in my old office used to be the travelling. We had numerous away jobs and at various stages I visited most of the counties on assorted audits. The change of work was as good as a holiday; our weekly living allowances were not ungenerous, and there was always adventure around the corner: an hotel audit in Brighton in the summer, a factory audit in a town annually visited by our rugby club, a multiple store audit where the manager was a family friend . . . it was a case of 'hey for boot and horse, lad, and round the world away'. We were always envied by our desk-bound friends.

I used to stay half-yearly at one country hotel where I came to know the manageress and the resident guests pretty well. One of them was a Colonel Smith, the oldest man that I ever met. He was thin and bald and very stooped, with a high pink forehead and a Roman nose, and a Kitchener moustache yellow with age; his tired eyes always peering resignedly. He used to come slowly into the dining-room, holding on to the chair-backs, and he rarely spoke to anyone. He would sit in the lounge literally for hours at a time, staring silently into the fire-place, with hands folded before him, an old album on his lap. I became very interested in him.

Though the Colonel had been there for many years, no one knew anything of his history; he had arrived unheralded and just stayed on. He had no visitors; he neither sent nor received letters; he paid his bills monthly by cheque, his bank account, as had been ascertained, being replenished quarterly by an untraceable lodgement from a London bank. But he was courteous and gentlemanly, and respected by all as a relic of earlier generations. He was reputed vaguely to have had a brilliant army career; a box full of decorations was known to exist in his bedroom.

I tried sometimes to engage the Colonel in conversation, particularly on long wet week-ends when we were the only guests, sitting at each side of the marble-surrounded fireplace; but monosyllables were

the usual reward. He rarely unbent; he would drop his glance to his old photograph album and drift away into memories, while the manageress would murmur proudly: 'Wonderful old man'.

Came the day when he failed to wake from his reverie. There was the flurry of organization and visitors customary at such times, and I chanced upon the treasured album. Such old photographs, faded and brown . . . boys in school caps, blazers, swimming togs, captioned Freddy and Dickie and George; youths in bowlers, high-buttoned jackets, cricket togs, Harold, Denis, Jumbo; several girls labelled variously Marjorie, Nursie B., The Deb.; men in uniform – Captain J., The Rake, Bruce. And always gaps, where pictures had been removed, with carefully erased titles leaving no trace of identification, the record having been expunged systematically.

There was also a final section. Tough-looking, soldierly men in hilly or wooded country, with slouch hats and bandoleers and open-neck shirts, and revolvers in big holsters; even some nasty little Lewis guns . . . with characters designated Sarge, Micky, The Blight. They might have been anyone, but somehow they had an unmistakable air of devilry. Were they gun-runners, South American filibusters, Black and Tans, vigilantes? There was no clue.

No clue, till I opened an old envelope in the back flap of the album and found a single newspaper cutting from 1920, with revealing headlines:

#### MAJOR FOUND GUILTY

Sentenced to twenty years, he protests innocence.

Inset in the column was an undoubted photograph of 'Colonel Smith', though the thick crisp hair and the moustache showed black and he stood as straight as a lance. There was no mistaking him. There was no ambiguity either about his crime, if his it was. It had an ugly name, and the judge had been rightly ruthless. The news was going to scandalize the other hotel guests when they heard it.

When they heard it? I burned the cutting there and then, nor ever mentioned it since to anyone. He was buried with his medals. An eulogistic column about him appeared in the local Press, based entirely on guess-work; the absence of all record was a nine-days' wonder.

Articled clerks are usually sure that they are right, but I'm not sure if I'd do the same thing if it happened again. I hope I would.





THE  
ACCOUNTANT  
ANNUAL  
AWARDS  
for 1961

The two companies which have been selected to receive *The Accountant* Annual Awards for 1961 are:

ALBRIGHT & WILSON LTD

and

THE PRESTIGE GROUP LTD

The reports and accounts of these companies were judged the best of over eleven hundred entries for this year's Awards.

Each year's Awards are for reports and accounts presented at company annual meetings during the previous calendar year. The Award to Albright & Wilson, therefore (which is that for large companies), is in respect of their accounts for the year ended December 31st, 1959, presented at the company's sixty-eighth annual general meeting on April 27th, 1960.

The Prestige Group receive the Award for 'smaller' companies requiring less complex accounts than

those of a large group, in respect of their accounts for the year to December 31st, 1959, presented at the company's annual general meeting on April 12th, 1960.

The Lord Mayor of London, Alderman Sir Bernard Waley-Cohen, will present the Awards at the Mansion House on May 30th, in the presence of a distinguished company representing the City, the professions, commerce and industry.

#### The Awards

The Awards, which are of equal rank, each take the form of a pair of hand-made silver wall sconces inscribed with the name of the winning company and specially designed with ancient and modern symbolism depicting commerce and accountancy. They are made annually to companies whose shares are quoted on a recognized stock exchange in the United Kingdom, in relation to the form and content of their published reports and accounts; particular importance is attached to the adequacy of the information given and its presentation.

#### Panel of Judges

The members of the Panel of Judges are: Mr K. W. Mackinnon, M.B.E., T.D., Q.C. (Chairman); Mr A. S. H. Dicker, M.B.E., F.C.A.; Mr C. D. Gairdner, C.A.; Mr A. W. Giles, M.A., C.A.; Mr Donald V. House, F.C.A.; Mr J. A. Hunter, M.B.E., T.D.; Lord Latham, J.P., F.A.C.C.A.; Mr Ian T. Morrow, C.A., F.C.W.A.; Sir Richard Yeabsley, C.B.E., F.C.A.; Mr Arthur E. Webb, Editor of *The Accountant*.

## Finance and Commerce

### Costs Spiral

BEHIND the figures in this week's reprint of the 1960 accounts of the West Riding Automobile Co Ltd lies the seemingly never ending struggle between rising costs and revenue of bus companies. Sir Ronald Leon, the chairman, puts the position clearly in his statement with the accounts. Last May, higher basic wage rates were awarded to all employees, and for the majority there was a shorter working week without loss of pay. That inevitably meant extra overtime payments. An application to increase fares to cover additional operating costs of £125,000 was granted in full.

In October, however, higher wages were awarded to London busmen and in December provincial busmen presented parallel claims. The company side of the provincial industry rejected the claim but the municipalities referred it to a committee for discussion. Another round of wage increases is therefore

in the offing and now, in the Budget, the tax on fuel oil has been raised. So the spiral twists upwards.

### Arusha Again

IT is because it is so vitally important to get the meaning right when presenting figures that Arusha Industries Ltd, and its accounts for the year to September 30th, 1960, returns to this column for further consideration. The accounts and the notes on them were given here on April 15th.

The first point may be taken from a circular to shareholders issued before the recent annual meeting by Mr L. S. Carstairs who founded the group, is now styled its president and is actually back on the board to find the £1½ million to pay off bank money.

Mr Carstairs told shareholders that

'a summary of the losses on the audited accounts of the subsidiary companies does not add up to the figure of losses shown, i.e. £228,732. For instance, the audited accounts certified by the auditors, Cash, Stone & Co, of your subsidiary company, Sarah Properties Ltd, show for the year ended September 30th, 1960, a net profit before taxation of £233. In your chairman's review, they are shown as making a loss of £19,967. The only justification for this would appear to be a note on the balance sheet of this company stating that no provision had

	1959	1960	1959	1960
Taxation on Profits for the year:—		£		£
Income Tax .. .. .	79,779	67,830		
Profits Tax .. .. .	20,583	25,720		
Dividend of 6 per cent per annum, less Tax, on 6 per cent Cumulative Preference Stock .. .. .	8,500	8,500		
Interim Dividend of 4 per cent, less Tax, on Ordinary Stock .. .. .	26,446	26,446		
Final Dividend of 6 per cent, less Tax, as recommended .. .. .	39,670	39,670		
Balance carried to Balance Sheet .. .. .	50,486	74,852		
	<u>£235,444</u>	<u>£243,018</u>		
Balance brought forward from last year .. .. .			..	..
Net Revenue for the year, brought down .. .. .			..	..
			<u>£26,531</u>	<u>£50,486</u>
			<u>£198,933</u>	<u>£192,532</u>

**WEST RIDING AUTOMOBILE COMPANY LIMITED**  
**GENERAL BALANCE SHEET AS AT 31st DECEMBER, 1960**

LIABILITIES		1959		1960		ASSETS		1959		1960	
	£	£	£	£	£			£	£	£	£
CAPITAL AUTHORISED											
6% Cum. Pref. Stock	..	..	350,000	350,000							
Ordinary Stock	..	..	1,079,678	1,079,678							
			<u>1,429,678</u>	<u>1,429,678</u>							
CAPITAL ISSUED—											
6% Cum. Pref. Stock	..	..	231,305	231,305							
Ordinary Stock	..	..	1,079,448	1,079,448							
			<u>1,310,753</u>	<u>1,310,753</u>							
CAPITAL RESERVE being excess of valuation over book value of fixed assets (after Capitalisation of £404,793)											
..	..	..	187,197	187,197							
RESERVE for replacement of Rolling Stock at increased prices	..	..	216,308	249,749							
GENERAL RESERVE FUND	..	..	151,031	151,031							
BALANCE OF APPROPRIATION A/C.	..	..	50,486	74,852							
			<u>1,915,775</u>	<u>1,973,582</u>							
RESERVE FOR FUTURE INCOME TAX	..	..	126,845	117,149							
RESERVE IN LIEU OF WORKMEN'S COMPENSATION INSURANCE	..	..	10,169	10,169							
CURRENT LIABILITIES—											
Unclaimed Dividends	..	..	311	311							
Sundry Creditors	..	..	75,156	100,790							
Taxation accrued due	..	..	27,591	29,700							
			<u>102,858</u>	<u>130,801</u>							
Dividend as recommended	..	..	39,670	39,670							
			<u>142,528</u>	<u>170,471</u>							
(Signed)											
RONALD G. LEON, Chairman.											
G. H. MARGRAVE, Managing Director.											
A. S. WITTS, Secretary.											
			<u>£2,195,317</u>	<u>£2,271,371</u>							

FREEHOLD LAND and BUILDINGS as per Valuation in 1957, plus Additions											
..	..	..	902,970	902,970							
Less Depreciation	..	..	4,000	4,000							
			<u>898,970</u>	<u>898,970</u>							
ROLLING STOCK AT COST											
..	..	..	1,482,877	1,482,877							
Less Depreciation	..	..	971,602	971,602							
			<u>511,275</u>	<u>511,275</u>							
PLANT, MACHINERY, FIXTURES and FITTINGS, at Cost											
..	..	..	42,286	42,286							
Less Depreciation	..	..	36,293	36,293							
			<u>5,993</u>	<u>5,993</u>							
INVESTMENT in other Transport Undertakings (at Cost)											
..	..	..	3,642	3,642							
TOTAL FIXED ASSETS	..	..	1,419,880	1,419,880							
CURRENT ASSETS—											
Debtors	..	..	20,968	20,968							
Rates, Licences, etc., paid in advance	..	..	26,609	26,609							
Stores on Hand	..	..	40,751	15,856							
Wakefield Corporation—Loan at Short Notice	..	..	200,000	41,211							
Tax Reserve Certificates	..	..	50,000	200,000							
£324,000 3% Savings Bonds, 1955-65 at cost	..	..	299,298	100,000							
(Market Value £291,600)	..	..	137,811	299,941							
Cash in Hand and at Bank	..	..	775,437	97,768							
			<u>775,437</u>	<u>795,023</u>							
(Note:—There are commitments for Capital Expenditure amounting to £284,540).											
			<u>£2,195,317</u>	<u>£2,271,371</u>							

**Note:—**There are commitments for Capital Expenditure amounting to £284,540).

(Signed) RONALD G. LEON, Chairman.  
G. H. MARGRAVE, Managing Director.  
A. S. WITTS, Secretary.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF WEST RIDING AUTOMOBILE COMPANY LIMITED.**

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company so far as appears from our examination of those books. We have examined the above Balance Sheet and annexed Profit and Loss Account which are in agreement with the books of account and to the best of our information and according to the explanations given us, the said Accounts give the information required by the Companies Act, 1948, in the manner so required and the Balance Sheet gives a true and fair view of the state of the Company's affairs as at 31st December, 1960, and the Profit and Loss Account gives a true and fair view of the profit for the year ended on that date.

ATLAS CHAMBERS,  
KING STREET, LEEDS, I.

27th March, 1961.

(Signed) SMITHSON, BLACKBURN & CO.,  
Chartered Accountants, Auditors.

## CITY NOTES

**P**OLITICAL uncertainties have performed their customary work of putting a brake of uncertainty on stock-markets which were still prepared to reflect a helpful Budget – helpful, that is, in terms of share prices.

Troubles and tensions in France and Cuba, however, have apparently caused a degree of investment caution which few investors were prepared to read into the Budget. Little real pressure to sell has developed but, for the time being, buyers are standing out of the market and share prices have tended to drop as a result.

There are always exceptions and bank shares have been notable in that respect. Share prices were marked substantially higher immediately before and after the Midland Bank's news of scrip and rights issue operations. On the assumption that the banks will adopt the normal 'follow-my-leader' policy, the market is now looking for rights issues by other leading banks and also for attendant scrip issues.

New issue calls are now making heavy inroads into investment funds. Calls are being made on the recently-issued steel company prior charges as well as on other major new issues. The substantial flow of new rights offers continues and the gilt-edged market is anticipating a resumption of corporation borrowing.

There is at the same time a heavy weight of money available for investment and, with the likelihood of the Trustee Act soon coming into force, that weight should be making itself felt before long.

## RATES AND PRICES

Closing prices, Wednesday, April 26th, 1961

**Tax Reserve Certificates:** interest rate (26.11.60) 3%

## Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

## Treasury Bills

Feb. 17	£4 7s	7'63d%	Mar. 24	£4 9s	8'46d%
Feb. 24	£4 7s	11'85d%	Mar. 30	£4 9s	8'41d%
Mar. 3	£4 8s	10'41d%	April 7	£4 8s	8'68d%
Mar. 10	£4 9s	9'54d%	April 14	£4 9s	7'69d%
Mar. 17	£4 9s	8'57d%	April 21	£4 9s	9'01d%

## Money Rates

Day to day	3½-4½%	<b>Bank Bills</b>	
7 days	4½-4½%	2 months	4½-4½%
<b>Fine Trade Bills</b>		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

## Foreign Exchanges

New York	2'79½-½	Frankfurt	11'10½-½
Montreal	2'76½-½	Milan	1735½-½
Amsterdam	10'04½-½	Oslo	20'00½-½
Brussels	140'20½-½	Paris	13'70½-½
Copenhagen	19'34½-½	Zürich	12'10½-½

## Gilt-edged

Consols 4%	64½	Funding 3% 59-69	81½
Consols 2½%	42½	Savings 3% 60-70	79½
Conversion 5½% 1974	95½	Savings 3% 65-75	72½
Conversion 5% 1971	92½	Savings 2½% 64-67	84xd
Conversion 3½% 1969	85½	Treasury 5½% 2008-12	91½
Conversion 3½%	56½	Treasury 5% 86-89	86½
Exchequer 5½% 1966	99½	Treasury 3½% 77-80	73½
Funding 5½% 82-84	97	Treasury 3½% 79-81	71½
Funding 4% 60-90	87½	Treasury 2½%	41½
Funding 3½% 99-04	63	Victory 4%	96½
Funding 3% 66-68	83½	War Loan 3½%	56½xd

## Reviews

## Where to Look for Your Law

*Thirteenth edition*, by C. W. RINGROSE, Librarian to the Hon. Society of Lincoln's Inn. (Sweet & Maxwell Ltd, London. 10s 6d net. Interleaved edition 21s.)

In the past two and a half years many new laws and new works on law have come into existence. The librarian of Lincoln's Inn is the man, if anyone is, to note these changes and incorporate them, as he has done, in the latest edition of this most useful reference book. The plan of the work is the same – a subject-index is followed by a catalogue of authors and then come lists of Command Papers, current reports and periodicals, micro-card and micro-film productions available and abbreviations, and a table of the regnal years of the sovereigns from William the Conqueror.

On the title page, Dr Johnson is quoted as saying that knowledge is of two kinds – knowing the subject and knowing where to find out about it. This book is the ladder, *par excellence*, to the second branch of the tree.

## Butterworth's Income Tax Digest

by H. W. CLEMENTS and A. S. DIAMOND, M.A., LL.M., barristers-at-law. Revised by PHILIP F. SKOTTOWE, LL.B., barrister-at-law. (Butterworth & Co (Publishers) Ltd, London. 70s net.)

The material in this volume as first issued in 1926 was contributed by the original editors and Mr Skottowe has revised it by bringing in all English cases reported up to January 1st, 1959, and also foreign cases available in London on that date.

The *Digest* covers cases on income tax, profits tax, excess profits duty, excess profits tax and corporation profits tax. The sources of the reports included in the work (and they are by no means confined to English sources) are set out in the opening pages, with the appropriate abbreviations. Then following a glossary

of certain terms used in the work, comes a table of cases proper, of which there is an enormous number. A four-page table of contents enables the reader quickly to ascertain on what pages he is likely to find an answer to his problem. The text sets out in logical sequence a short digest of each report, in the place where the reader is most likely to look for it.

The work is divided into nineteen parts. Part V, for instance, headed 'Schedule D', is divided into seven sections. Section 1 deals with the charge to tax; section 2, with six subsections, deals with Case I; subsection 1 deals with the question of what constitutes trading and trade receipts; subsection 2 with the basis of assessment; subsection 3 with the computation of profits; subsection 4 with trade expenses, and so on. Each subsection again is divided into a number of lettered sub-headings. Subsection 4, for example, has the following:

- A. In general.
- B. Rent or annual value of business premises.
- C. Repairs.
- D. Loss connected with or arising out of trade
  - (a) In general
  - (b) Losses in two or more distinct trades.
- E. Capital expenditure
  - (a) Loss or exhaustion of capital
  - (b) Payments in the nature of capital expenditure.
- F. Bad debts.
- G. Annual interest or annual payment.
- H. Royalties on patents.
- I. Contributions to employees' pension and invalidity or superannuation funds etc.
- J. Depreciation, wear and tear of plant, etc.
- K. Management expenses.

This rather lengthy extract shows how thoroughly the ground has been covered and how easily one can turn up all the relevant cases on a particular point. The proof of the pudding is in the eating and this reviewer has found the book most useful, even though already possessing an up-to-date copy of *Simon*.

### Duties of a Company Secretary

*Second edition*, by T. BOLTON, A.C.I.S., and PERCY F. HUGHES, F.C.I.S. (Secretaries Journal Ltd, London. 30s net.)

Mindful of their own student days, the authors of this book have had printed in heavy type the main facts and fundamental principles so that the prospective examinee need not spend time laboriously making his own précis of them. Instead, he may read the full text, study or memorize the notes and then return to the original text which he will find much easier to assimilate having mastered the outline.

In another respect, the text has a dual purpose in that as well as being a guide to students it serves as a useful source of reference for practitioners. The functions of a company secretary and just what he

ought to know are set down in nearly four hundred pages of concentrated information and perhaps the outstanding merit of the book is that it is concise without sacrificing essential detail. That quality in a work of reference of this kind is what both secretary and student, as often as not pressed for time, require.

### Accountancy

*Third Edition*, by WILLIAM PICKLES, B.COM.(Vict.), F.C.A., F.R.S.A. (Sir Isaac Pitman & Sons Ltd, London. 37s 6d net).

The title is all-embracing and so too are the 1,400 pages of narrative and examples which follow. Mr Pickles first ran through the whole gamut in 1934. Now he does it again adding and amending to erase the ravages of time and events on his original text. In this, the third edition, are to be found all the many things the student need know for the accounts papers of the examinations of the leading professional bodies and, for good measure, alternative solutions are given to some of the exercises. Mr Pickles defends this practice on two grounds - that the student may find that one of the methods coincides with his own approach to the problem and that, as time is an essential factor in answering examination questions, the solution which takes the shortest time to put down on paper may well be, *ceteris paribus*, the one to adopt.

### History of Public Accounting in the United States

by JAMES DON EDWARDS. (Michigan State University, East Lansing, U.S.A. \$6.50.)

Although references to accountants in the United States have been traced back to 1748, the term 'certified public accountant' was not officially brought into being until 1896 when a Bill to regulate the profession became law in the State of New York. Since then, the qualification has come to be recognized on a coast-to-coast basis and, at present, The American Institute of Certified Public Accountants has a membership of 35,000.

In his factual account of the growth of the organized profession in the United States, Professor Edwards begins before the beginning by outlining its evolutionary antecedents, mainly in the United Kingdom, until the end of last century. He then deals with definitions of American public accounting as contained in representative State laws. These definitions vary considerably in scope from that of Texas, which confines itself to mentioning only the auditing functions of an accountant, to that of Tennessee, which additionally embraces a wide range of permissible taxation services to clients. His next chapter covers the primeval period of the profession's development from 1748 to 1895 and, finally, follow the four main chapters in which he sets down with painstaking thoroughness everything of importance that has happened in American accounting from 1896 down to date.

History has been defined by Thomas Carlyle as the essence of innumerable biographies and, on these terms, the history of accounting in the United States is, firstly, the biographies of a number of early and eminent professional firms, the vision and vitality of whose partners got the profession off to a sound start; and, secondly, that of what is now The American Institute of Certified Public Accountants, the able and tactful guardian of the aspirations and ideals of its many members. How all this has come about and the many legal battles, involving principles and personalities which have helped to mould the minds of American accountants, Professor Edwards puts on record with the minimum of comment, being content to let the facts state the case for themselves. He is punctilious in acknowledging the many sources of his information including a substantial number from *The Accountant* which, incidentally, he states was established in 1847. On the evidence appearing each week on its front cover, this journal does not admit to arriving on the professional scene until 1874.

### Fieldhouse's Income Tax Simplified

*Twenty-seventh edition*, completely revised, by H. E. D. AYLING, A.A.C.C.A., A.S.C.T. (Arthur Fieldhouse Ltd, Huddersfield. 3s 6d net.)

This work brings to the study of income tax the advantages of cheapness and portability which have produced such a remarkable expansion in the sale of paper-backs. One notes with regret the general steep rise in the cost of textbooks, and it is gratifying to find that here is a book which, for the extremely modest sum of 3s 6d, will give a lucid exposition, backed by numerous examples, of the general principles of income tax. In one sense, of course, income tax cannot be simplified, and it can be said that books containing such word in their title merely simplify by leaving out the complicated parts. However, the accountancy student or the small business man usually only requires the general outline, and in this book he has it for less than the price of a packet of cigarettes.

### SHORTER NOTICES

PARKINSON'S LAW, or the Pursuit of Progress, by C. Northcote Parkinson. John Murray, London. 3s 6d net. This is the paper-back edition of that, by now, world-famous book *Parkinson's Law*, first published in April 1958. It is unabridged and contains Osbert Lancaster's original illustrations.

THE FIRST FIFTY YEARS 1910-1960. An appreciation by F. A. A. Menzler, C.B.E. The Institute of Actuaries Students' Society, London. 25s net. This book marks the golden jubilee of the Institute of Actuaries Students' Society and is written by an author who has been intimately concerned with its development. It is primarily of interest to members of the actuarial profession, but those who want an insight into the training and problems of student actuaries will find much to interest them in this brief account.

GREEN'S DEATH DUTIES: Third (Cumulative) Supplement to Fourth Edition by D. J. Lawday, LL.B.(Lond.), Barrister-at-law and E. J. Mann, LL.B.(Lond.). Butterworths & Co (Publishers) Ltd. London. 10s 6d, postage 6d. The two authors of this supplement are both employed in the Estate Duty Office and they have produced a most workmanlike effort. Needless to say, the new legislation is reproduced and all the relevant cases up to October 1960 have been notified. But infinitely more valuable are the authors' informed and informative comments on the various implications of the new developments essential to the busy practitioner.

COMMON MARKET FISCAL SYSTEMS, The *British Tax Review* Guides Number 2, by E. B. Nortcliffe. Sweet & Maxwell Ltd, London. 21s net. The concise factual articles on the tax systems of the six countries forming the Common Market which comprise this book first appeared in the *British Tax Review*. They have now been brought up to date and supplemented in this volume by a chapter inquiring whether these various systems offer anything new for the United Kingdom.

### RECENT PUBLICATIONS

TAX CASES, reported under the direction of the Board of Inland Revenue, Vol. 38-Part 7 (pages 459-530); Part 8 (pages 531-602). 9½×6. Paper covers. 3s 6d each net. H.M.S.O., London.

THE DISTRICT AUDITOR, by Leonard Mervyn Helmore. x+220 pp. 9×6. 25s net. Macdonald & Evans Ltd, London.

THE ANTITRUST LAWS OF THE U.S.A., by A. D. Neale. Economic and Social Studies XIX, The National Institute of Economic and Social Research. xvi+519 pp. 9½×6½. 45s net. Cambridge University Press, London.

HOW TO MAKE MONEY ON THE STOCK EXCHANGE, by Kenneth S. Most, LL.B., F.C.A. 141 pp. 9×6. 15s net. Museum Press Ltd, London.

DIE DIREKTEN STEUERN DER KAPITALGESELLSCHAFTEN UND DIE PROBLEME DER STEUERANPASSUNG IN DEN SECHS STAATEN DER EUROPÄISCHEN WIRTSCHAFTSGEMEINSCHAFT by Dr Albert J. Radler (Direct Taxation of Joint-Stock Companies and the Problems of Co-ordinating Taxation in the European Economic Community). 284 pp. 10×6½. f30. D.M. 35. International Bureau of Fiscal Documentation, Amsterdam.

NOW, IF I WERE THE MANAGER . . . by Harold Whitehead, D.LITT., B.B.A., F.B.I.M. vii+96 pp. 9×6. 12s 6d net. Sir Isaac Pitman & Sons Ltd, London.

STUDIES IN BUSINESS ORGANIZATION. A supplement to 'Business Enterprise', edited by Ronald S. Edwards and Harry Townsend. xxiii+160 pp. 9×6. 25s net. Macmillan & Co Ltd, London.

MANAGEMENT SURVEY, by Sir Frederic Hooper, B.Sc. ix+172 pp. 9×6. 25s net. Sir Isaac Pitman & Sons Ltd, London.

STAMP DUTIES, Second (Cumulative) Supplement to second edition, by F. Nyland, LL.B. 8½×5½. Butterworth & Co (Publishers) Ltd, London. Supplement 6s, postage 5d. Combined price 27s 6d, postage 1s 6d.

MATHEMATICAL PUZZLES AND DIVERSIONS, by Martin Gardner. x+163 pp. 9×6. 17s 6d net. G. Bell & Sons Ltd, London.

TEACH YOURSELF EXPORTING, A practical manual for those concerned with the Export trade of Companies both large and small, by D. F. Taylor, M.I.E.C., and E. A. Rutland, A.C.I.S., M.I.E.C. ix+181 pp. 7×5. 7s 6d net. The English Universities Press Ltd, London.

MONETARY DECISIONS OF THE SUPREME COURT, by Gerald T. Dunne. 112 pp. 8½×6. 35s net. Mark Paterson & Co Ltd, London, for Rutgers University Press, New Jersey.



# Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

## The Payroll Tax

SIR, — The advent of a payroll tax foreshadowed in the Budget proposals takes an unexpected form. Many would have anticipated that such a tax would have been levied on the *quantum* of the payroll; in fact, it is to be charged as a fixed sum *per capita*, presumably for reasons which include that of administrative convenience.

One beneficial effect of this basis of charge will be to encourage the employment of more highly skilled labour. But a harmful effect is highlighted in an article in *The Times* of April 19th, calling for the exemption of industrial apprentices for the purpose of the payroll tax. The sense of this is apparent, for otherwise industry will be discouraged by the tax from expanding its apprenticeship schemes.

There is, of course, an exact parallel for the accountancy profession. The burden of training articulated clerks already lies heavily on the practising accountant (and may well lie heavier in the future), and it is imperative that this should not be increased by the imposition of this tax.

May I respectfully suggest therefore that the Council of the Institute urgently make a recommendation to the Chancellor of the Exchequer to the effect that the forthcoming legislation include exempting provisions in relation to apprentices and articulated clerks.

Yours faithfully,

PATRICK EDGE-PARTINGTON,

London, EC2.

F.C.A.

## New Surtax Proposals

SIR, — In the surtax example on page 467 of *The Accountant* of April 22nd, there appears to be a small error of principle which, while not being material in the example shown, would be important in other cases. The additional deduction for earnings should be limited to £1,999, because this deduction cannot reduce the balance of earned income to less than £2,000. The example related to a single person with an income of £5,000, all earned, and should have read:

	£	£
Total income (all earned)	..	5,000
Less Earned income relief:		
2/9ths of £4,005	..	890
1/9th of £995	..	111
		<hr/> 1,001
		3,999
Additional deduction for earnings		
('Earnings allowance')	..	<hr/> 1,999
Balance, total income for surtax purposes		<hr/> <hr/> £2,000

In his Budget speech, the Chancellor stated that one of his avowed aims was to simplify taxation. Despite this, his own proposals regarding surtax, however commendable, have certainly added a complication in that field. It would seem that the new method of calculating surtax might best be expressed in steps as shown below:

- (1) *Separate earned income and unearned income.*  
Arrive at the total income under each of the two headings.
- (2) *Deduct earned income relief from earned income.*  
Such earned income relief is the same as for income tax, i.e. 2/9ths of the first £4,005 (maximum £890) and 1/9th of the next £5,940 (maximum £660).
- (3) *Deduct earnings allowance from earned income.*  
This allowance is £2,000 or such lesser sum as will reduce the balance of earned income to £2,000.
- (4) *Add up earned income (as reduced above) plus unearned income.*
- (5) *Calculate surtax liability as before.*

Yours truly,

DEREK E. COX.

London, SE21.

[We are obliged to our correspondent for pointing out the error of £1 in the rather hastily contrived example in our last issue. The purpose of the example was, of course, to show that a single person earning as much as £5,000 a year was entirely relieved from surtax. — Editor.]

## That Intriguing Equation

SIR, — May I refer to your comments as to my appendix to my company's accounts in your issue of April 22nd, and in particular to the significance of the equation you refer to as being very intriguing.

Perhaps one might say (naturally with one's tongue very much in one's cheek) that with both chairmen and shareholders calling on company accountants for more and more information these days, the accountant may suitably retaliate by including a little mystery of his own.

Seriously though, the equation in question was really to indicate to non-accountant shareholders that the increase in reserves plus special items such as our transfer to pension fund reserve, plus the net dividend paid out was the equivalent of the consolidated net profit for the year; this simple proposition had really been made more obscure in 1959 by the various other special items affecting the calculation (items (v), (w) and (y)), which were non-existent in 1960, but had to be referred to for comparative purposes.

I do not know whether this will make matters clear and I should perhaps add that unless in the coming year I can find any similar obscurities, the number of terms in my equation will be much reduced and my mystery no longer, I fear, intriguing.

Yours sincerely,

R. J. AUSTIN, F.C.A., A.C.W.A., Secretary,  
NEWBOLD & BURTON HOLDINGS LTD.

Sibley, Leics.



## THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS FIFTY-SIXTH ANNUAL GENERAL MEETING

The fifty-sixth annual general meeting of The Association of Certified and Corporate Accountants was held in London last Tuesday. The President, Mr J. E. Harris, B.COM., F.A.C.C.A., was in the chair.

Extracts from the report of the Council for 1960, presented for adoption, appeared in *The Accountant* of April 8th.

### PRESIDENT'S ADDRESS

In the course of his address the President said:

Before I embark on the more formal part of my address, I should like to pay tribute to three members of Council whose services we are losing. These are Mr



Mr J. E. Harris

C. V. Jarvis and Mr Sydney C. Jones, who, prior to the issue of the annual report, intimated their intention of retiring from the Council with effect from the conclusion of this meeting, and Mr William Macleod who has since notified us to the same effect.

Mr Jarvis is, in fact, the senior serving member of the Council, having been elected to it no less than forty-one years ago. During that time, he has given us great service, not only in the capacity of President of the Association – which office he held for three years – but also in a variety of other ways, for example, as chairman of most of our standing committees at one time or other and for very many years as president and secretary of the Manchester District Society.

Mr Sydney Jones has not quite the same length of service on our Council – he joined it in 1941 – but he was before that a member of Council and President of the Institution of Certified Public Accountants, so that in the aggregate, his service to the profession is not materially shorter. He, too, has been chairman of a number of our standing committees and for some fifteen years has served on the committee of moderators.

Mr Macleod was originally a member of the Corporation of Accountants and was elected to its Council in 1925. Following the amalgamation in 1939 Mr Macleod joined the Council of the Association and has served thereon ever since. He has thus a total of some thirty-six years as a Council member and has been on most of the Standing Committees. He was also for some years a member of the Executive Committee of the Glasgow and West of Scotland Branch.

It is naturally a matter of regret to us all that we are to lose the services on the Council of these three gentlemen. However, such changes are inevitable and we can

at least reflect with gratitude that we have had the benefit of many years of service from them all; today we can and do convey to them our sincere thanks and we express our hope that they may enjoy many years yet of happiness and good health (*Hear, hear.*)

### Annual Report

The annual report of the Council and the accounts of the Association for 1960 have already been circulated and you will no doubt be prepared to take them as read. Is that agreed? (*Assent signified.*) Before moving the adoption of the report and accounts, there are, however, several matters on which I wish to comment.

### Membership

The membership of the Association continues to show a satisfactory increase and now stands at some 11,000 members. During 1960, there were slightly fewer new members than in the previous year, but the net increase was, in fact, slightly higher.

The number of new students admitted in 1960 is higher than in 1959 to a quite noticeable extent. What is perhaps even more satisfactory is that the rate of increase has now been growing for several years and this gives us some confidence to hope that it confirms the emergence of a definite trend. It would be pleasant, indeed, to think that the great majority of these new students will ultimately qualify. Unhappily, we know very well that rather a lot of them will not – that is, if past experience is any guide. Let us hope, however, that it is not and I believe that we have some real ground for such a hope. My predecessor in office referred at some length last year to the state of commercial education in this country and the attention it had received at the hands of the McMeeking Committee. On every side there is evidence that the words of the McMeeking Committee have not fallen on deaf ears. Indeed, I feel that we stand on the brink of a veritable revolution in business education, and it is a development in which the Association has an important part. We on the Council are trying to keep our minds as flexible as possible about these new developments and we recognize that there will be a lack of realism if we retain, without alteration, old and hitherto valuable rules, simply because they are old. It is patently clear that we must be willing to re-examine objectively our approach to professional training if we are to be ready to benefit from the developments that are impending. We must never reduce our standards, but we must be willing to consider different ways of reaching them.

These developments in education are not by any means restricted to commercial education and it is only three weeks ago that I heard an eminent educationist express the view that in the course of a few years it will become distinctly uncommon for grammar school and similar children not to spend a further two years at school after attaining the age of 16. This is a



possibility which we have already considered and last year the Council announced certain concessions regarding the length of training for all boys and girls who spend at least two years in the sixth form and pass at least two subjects at advanced level in the G.C.E. The basis of this concession is simply that such boys and girls are unquestionably better material from the point of view of professional studies than the majority of those who leave school at 16. In my opinion it is vital that the profession increases its intake of the country's best brains and that fact has to be recognized in some concrete form. We are, accordingly, prepared to reduce by one year the period of practical training which they would otherwise have to spend before being qualified for membership. This is just one example of what I mean by keeping our minds flexible.

### Finance

Turning to our accounts, you will notice that in 1960 we succeeded in achieving a higher surplus than in 1959. In my view this was a notable achievement and I am sure you will appreciate that this was possible only by rigorous economies; it is, however, open to doubt whether we can keep the tide of rising prices at bay for very much longer.

In one respect we certainly cannot. At present we enjoy the benefit of a pre-war lease at 22 Bedford Square. Unfortunately this lease expires in June. We have been granted a renewal, but at a rental which is no less than fifteen times what we have previously paid. Nevertheless, the price is still quite reasonable in comparison with that of other premises and it is principally that fact which has persuaded us of the wisdom of remaining at Bedford Square for the time being.

My predecessor, Mr Jackson, drew attention last year to a somewhat alarming increase in the cost of holding the Association's examinations. I am glad to say that it has been possible not only to check this, but even to reduce quite considerably the difference between what we have spent and what we have received in this connection. Nevertheless our ability to hold the position at this level is somewhat doubtful. Probably this is inevitable with any professional body holding examinations at a large number of centres, as we do. But it is a matter of policy to do so and one which we believe to be right.

### Research Activities

The activities of our research and technical committees have continued at a high level during 1960. Last year we reported that we had a special committee engaged in preparing a memorandum of evidence for the Jenkins Committee on the revision of the Companies Act, 1948. This was finally completed and submitted in July last, and some of my colleagues and I attended before the committee in January of this year to give oral evidence.

At approximately the same time we submitted to the Chancellor of the Exchequer, as in previous years, a memorandum of our recommendations for his consideration when framing the Budget. Even before that had been done, we had found it necessary to turn our attention to the audit provisions of the new Building Societies Act, 1960. This, as you know, introduces certain very important changes in the law affecting the audit of building societies and it was

necessary for us to prepare a memorandum of recommendations which was subsequently circulated to all practising members.

Behind all these activities normal meetings of the various research committees were continuing with work of a more long-term character. This has resulted in the publication of its third study by the Electronic Data Processing Committee entitled *The Planning and Installation of a Computer*.

Immediately following the end of the Lent term at Cambridge, we held a third week-end school at Gonville and Caius College which was devoted to the subject of management accounting. The papers, as on both previous occasions, were all prepared by members of the Association, and as previously we are also indebted to those other members who served on the discussion panels.

I refer to the research activities in some detail because it is only by so doing that I can convey to you any idea of the high level of activity which has been maintained. . . .

### President's Tenure of Office

Mr Harris said that the Council had devoted a good deal of thought to the question of the duration of the president's tenure of office. It had been decided that the growing commitments of the presidency had reached a stage at which it was no longer reasonable to expect one man to sustain such a burden for more than one year and, as a result, the Association would henceforth – and in the absence of special circumstances – have a new president each year.

### Acknowledgments

Acknowledging the help and guidance which he had received during the year Mr Harris said:

Mr Barker, my Vice-President, has been readily at my disposal, and has deputized for me on a number of occasions when I was already committed to represent the Council or the Association elsewhere. It is a great pleasure to me to be able to tell him in your presence how much I have appreciated his support and to thank him most warmly. My thanks are likewise due to my other colleagues on the Council for their encouragement and support during the last twelve months.

The way of all presidents would indeed be hard without the assistance of our permanent officers at headquarters and I am as much indebted to them as any of my predecessors. Indeed, it is incontestable that without the help of our secretary and assistant secretaries, no president could begin to meet his many obligations. The remainder of the staff at headquarters likewise deserve the gratitude and esteem, not only of the president, but also of all members of the Association. . . .

### SPECIAL RESOLUTIONS

The report and accounts having been adopted, the following special resolutions were put to the meeting and carried:

"That Articles 5 and 6 of the articles of association be and are hereby amended as follows:

*Article 5:* Delete the words "and is holding the position at the date of application" at the end of sub-paragraph (B).



*Article 6:* Delete all that part of the article following the words "five years' approved accountancy experience" and substitute "and in all cases satisfies the Council as to his general character and suitability".

"That the following new article be and is hereby added to the articles of association next after Article 14:

'14A. Subject to the provisions of this article:

(A) No member of the Association shall practise as a public accountant without having first obtained from the Association a certificate authorizing him so to practise and such practising certificate shall not be issued to any member unless before or after or partly before and partly after becoming a member of the Association he has served under articles of clerkship with or has been employed in a responsible position on public accountancy work for a continuous period of thirty months by a person qualified for appointment as the auditor of a company under Section 161 (1) (a) of the Companies Act, 1948, or any statutory modification or re-enactment thereof, or having similar qualifications obtained outside the United Kingdom who throughout that period was himself in practice as a public accountant.

(B) A member of the Association who was admitted to membership prior to the twenty-second day of September, 1960, and has remained a member continuously since such admission or a person who was registered as a student of the Association prior to the twenty-second day of September, 1960, and is admitted to membership of the Association within the five years next following that date or such further period not exceeding one year as the Council may in its discretion see fit shall be entitled to a practising certificate whether or not he satisfies the conditions specified above. ■

(C) The Council's decision on any matter arising under this article shall be final and conclusive and in particular but without limiting the generality of the foregoing the Council may issue a practising certificate to a member who would have been entitled to the same but for the fact that his period of service or employment in accordance with paragraph (A) of this article has, on account of ill-health or for other causes satisfactory to the Council, not been continuous.

(D) A practising certificate shall remain the property of the Association and the holder shall be bound to return the said certificate to the Association on his ceasing to be a member of the Association for any reason whatsoever.'

### ELECTION OF PRESIDENT

With the exception of Mr C. V. Jarvis, Mr Sydney C. Jones and Mr W. Macleod, referred to by the President in his address, all the retiring members of the Council were re-elected; they comprised Messrs V. R. Chennell (Brighton), M. F. MacCormac (Dublin), C. A. Newport (Leicester), J. P. Shaw (London), E. Spencer (Nottingham), members in public practice; and Messrs J. A. Gopsill (Birmingham) and W. E. Stepto (Bristol), members not in public practice.

The following member in public practice was elected under Article 58 of the articles of association: Mr A. M. McCune (Glasgow).

At the meeting of the Council of the Association which followed the annual general meeting, Mr G. L. Barker, F.A.C.C.A., was elected President and Mr Edgar Spencer, F.A.C.C.A., was elected Vice-President.



The President of the Association gave a dinner last Monday evening at the Carpenters' Hall, London, when the principal guests were the Right Hon. Lord Mills, K.B.E., Paymaster-General, and the Right Hon. Sir Reginald Manningham Buller, Bt., Q.C., M.P., Attorney-General. Photographed here (left to right) are: Sir Reginald Manningham Buller, Lord Mills, Mr J. E. Harris, Mr B. J. Nicholson, M.B.E., Master of the Carpenters' Company, and Mr G. L. Barker, since elected President of the Association. A full list of guests appears at page 543.



# THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

## SEVENTY-FIFTH ANNUAL REPORT

*Reproduced below is the report of the Board of Governors of The Chartered Accountants' Benevolent Association for the year ended February 28th, 1961, to be presented at the seventy-fifth annual general meeting of the Association in the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, EC2, on Wednesday, May 3rd, 1961, at the conclusion of the annual meeting of The Institute of Chartered Accountants in England and Wales.*

1. The Association on February 28th, 1961, consisted of 3,583 members, viz.:

The President	751 Annual Governors
112 Vice-Presidents	118 Life Members
16 Life Governors	2,585 Annual Members

being an increase of 217 during the year.

2. A list of the 109 (1960-1961) cases in which assistance has been given during the year from the General Fund appears on pages 23 to 31.<sup>1</sup> During the year there were nineteen (seventeen) new cases and in five (three) cases former beneficiaries were assisted again. At February 28th, 1961, there were ninety-eight (eighty-five) current cases.

Two cases are being assisted from the Special Fund.

3. The accounts for the year ended February 28th, 1961, duly audited, are annexed to this report.<sup>1</sup>

4. The total expended by the Association in relief since its formation in 1886 amounts to £304,306.

5. The principal figures from the accounts for the last five years are:

Year	Relief	Subscriptions	Interest and Dividends
	£	£	£
1956-1957 ..	11,305	7,176	7,562
1957-1958 ..	13,069	7,018	7,313
1958-1959 ..	14,191	7,476	7,755
1959-1960 ..	18,093	7,813	8,026
1960-1961 ..	19,103	8,444	9,943

6. The deficit for the year amounts to £1,080. This follows the deficit for the previous year of £2,438, the first deficit to occur since 1954. As soon as the proposed integration of The Incorporated Accountants' Benevolent Fund with the Association (see paragraph 16) is completed, the Board is sending out an appeal to all members of the Institute for greater support to the Association. It is hoped by this means to secure a large increase in membership of the Association which at present amounts to a mere 10 per cent of the membership of the Institute. The help of the district societies will also be sought.

7. Christmas food hampers have, as usual, been sent to the majority of our beneficiaries. Gifts of clothing and special donations have been made in appropriate cases. The cost to the Association of this expenditure has been reduced by the income from the H. F. Holloway Memorial.

8. During the year the Association has received the following legacies and donations:

Legacies:	£
Administrators of the late Mr H. C. Merrett, F.C.A. .. .. .	5,198
Executors of the late Mr A. W. Death, A.C.A. .. .. .	213
" " Mr C. W. Boyce, F.C.A. .. .. .	100
" " Mrs A. I. Hardy .. .. .	50
" " Mr E. D. Hawthorn, A.C.A. .. .. .	21

£5,582

Donations:	£
Dowager Countess Eleanor Peel Trust .. .. .	200
T. C. Fitton Will Trust .. .. .	100
Mr W. H. Wright, F.C.A. .. .. .	94
Mr G. Bostock, F.C.A. .. .. .	80
Mr E. J. V. Hutt, F.C.A. .. .. .	55
Mr E. Baldry, O.B.E., F.C.A. .. .. .	52
Mr R. W. Bartlett, D.L., J.P., F.C.A. .. .. .	52
Mr D. A. Clarke, LL.B., F.C.A. .. .. .	52
Mr W. R. Doherty, T.D., F.C.A. .. .. .	52
Mr H. A. L. Hart, F.C.A. .. .. .	52
Mr L. Jacobs, M.B.E., F.C.A. .. .. .	52
Bekonscot Model Railway and General Charitable Association .. .. .	50
Mr H. N. French, F.C.A. .. .. .	50
Delmar Charitable Trust .. .. .	20
In Memoriam - the late Mr B. J. Davis, F.C.A. .. .. .	101
" " Mr H. S. King, F.C.A. .. .. .	66
Balances from Group funds at summer and other courses .. .. .	7
Others .. .. .	175

£1,310

9. The sum of £49 was received from the collection at the annual Church Service.

10. Grants from the W. B. Peat Memorial Scholarship Fund amounted to £180. The number of cases assisted on February 28th, 1961, was five (1960-four).

11. The Board has continued to take steps to ensure that in appropriate cases the maximum grant available from the National Assistance Board is obtained provided that there is no loss of income to a beneficiary. Grants have also been obtained from county councils to assist in the maintenance of those who are in homes for old people.

12. The Association continues to take an active interest in the affairs of Crossways Trust in which it has six places in homes for the infirm and four places in homes for the able-bodied. Eight of these places are now occupied. While there is a waiting list for places in homes for the infirm, it is possible to secure places in a home for the able-bodied at relatively short notice. The Honorary Secretary would be glad if members would let him know of any retired member (married or

<sup>1</sup> Not reproduced.

single) or of any widow of a member who might wish to be considered for a place in one of these homes. To be eligible, a person must be in need of care and attention and have insufficient means to pay for board and lodging and care and attention at normal rates.

13. It is the policy of the Board to ensure that as far as possible a member of the Institute living near a beneficiary or applicant for relief, acts as a referee and is available to give advice when required. Such assistance from members is of the greatest value to the Executive Committee in considering applications. The Board wishes to thank district societies, branches and groups, for their help in appointing members for this purpose and also to thank those appointed for the considerable time and trouble they have taken in helping beneficiaries.

14. The Board records with great regret the death last year of Basil John Davis, F.C.A., who had been a member of the Executive Committee since 1947. Mr Davis was chairman of the Investment Subcommittee and the Board wishes to pay a high tribute to the devoted service which Mr Davis gave to the Association throughout his membership of the Executive Committee.

15. Mr Douglas A. Clarke, LL.B., F.C.A., has been elected to fill the vacancy on the Executive Committee.

16. The Board regrets to report that the merger of The Incorporated Accountants' Benevolent Fund with the Association has not yet been effected. Further legal difficulties occurred after the proposals for the merger were unanimously approved by the members of the Association at the annual general meeting on May 4th, 1960. The matter is, however, now before the Court and it is hoped that it will be concluded in the very near future.

17. The Association is a substantial beneficiary of the estate of the late Mr H. C. Merrett, F.C.A., and as an exceptional measure Chartered Accountants' Trustees Limited is administering the estate through two honorary officers of the Association acting as its nominees. The administrators have transferred £5,000 Victory 4 per cent Bonds and £500 in cash to the Association on account of its interest in the estate. These bonds have been sold for £4,698 and an amount of £5,198 is included in the list of legacies in paragraph 8 of this report.

18. The Board wishes to record its warm appreciation to Mr R. W. L. Eke, Mr G. L. C. Touche and Mr D. A. Clarke as members of the Investment Subcommittee of the Executive Committee of the Association. Mr D. A. Clarke was appointed to this subcommittee on the death of Mr B. J. Davis.

19. The Board is grateful to Messrs Markby, Stewart & Wadesons, the honorary solicitors, for their advice and help.

20. The Board thanks the editors of *Accountancy* and of *The Accountant* for the publicity they have given to the affairs of the Association during the year. Brief reports of the quarterly meetings of the Executive Committee are published in these journals.

21. The Board wishes to place on record its high appreciation of the work of the officers and staff of the Institute.

22. The honorary auditors, Mr Geoffrey Bostock, F.C.A., and Mr Leonard Walter Bingham, F.C.A., retire and kindly offer themselves for reappointment.

W. S. CARRINGTON,

March 29th, 1961.

President.

## LONDON STUDENTS' COLUMN

### News from the London Chartered Accountant Students' Committee

#### Spring Session

The spring session was concluded on April 24th with the annual general meeting held at the Chartered Insurance Institute, in Aldermanbury, of which a fuller report appears elsewhere in this issue.

About 150 attended the mock company liquidation meeting and many took an active part in what proved to be an interesting demonstration. Another in the series of whole-day courses was held during the day of the mock meeting.

Members on the mechanized accounting course have been given demonstrations by Kalamazoo Ltd, a lecture and film by Lamson Paragon Ltd, and a party of pre-Intermediate students were shown round the Ford Motor Co Ltd.

The Cambridge week-end residential course designed for members in the first and second years of articles attracted 244, which is more than for any previous course.

The debating society completed its activities with a dinner debate and mock parliament.

#### Publicity and Magazine Subcommittee

This subcommittee which was recently set up to consider in what way the Society's affairs might be better

publicized, has held a further meeting. An attractive form of handbook on the Society for the information of new members, and a letter to schools' careers masters to introduce the handbook to them are under discussion. Among other matters being discussed is the possibility of making more personal announcements of other activities at Students' meetings. It has also been decided to seek the assistance of the Public Relations Committee of the Institute on the publicity problem.

#### Students' Centre

The committee has rejected a proposed scheme for the Society to use exclusively a West End Club in the evenings, for which negotiations had been well advanced. It was felt that the terms were too expensive, having regard to the fact that the proposal diverged so widely from the basic scheme, namely, to consider the feasibility of opening a centre where meals, lounges and study facilities, could be provided including also office and library accommodation.

Officials of the City's Barbican Scheme have intimated that they are favourably considering the Society's application for sufficient space to hold the offices and proposed Students' Centre, but this is still a few years in the future.



# Equipment

unit; and within this limit installations can be enlarged at any time merely by providing extra receivers.

To make a call, the operator simply presses a button; the rest is automatic. Each call is received only by the person required.

There are facilities for setting up control units in more than one location. Thus calls from the telephone exchange can be supplemented, for example, by calls from the works office or managing director's office.

The personal receivers can be powered by dry batteries, mercury cells or rechargeable accumulators. They can be switched off when not required.

Operating costs are said to be less than 3d per week per receiver. Where the equipment is supplied on lease/maintenance terms, the makers shrewdly point out that the total cost per receiver is less than the cost of one frustrated long-distance telephone call.

Price: 2s per week per receiver on lease/maintenance terms. (Also available for outright purchase.)

Westrex Co Ltd, 152 Coles Green Road, London, NW2.

## 'No Hands' Telephoning

THE introduction of self-contained telephone amplifiers has done a great deal to make this method of communication more comfortable and more useful. While a conversation is taking place, both hands are free to sift documents or make notes; moreover several people can listen to a call without the need for elaborate equipment.

One of the latest additions to this range of application is the Italian-made *Telelift*. It is so simple that the suppliers have been able to compress the 'directions for use' into exactly twenty-seven words: 'Lift the hand set, place it on the amplifier with the earpiece on the side marked *Telelift*. Listen and speak from a distance to suit your voice'.

The apparatus is transistorized and requires no wiring or other connection. The current is supplied by a 9-volt battery which lasts for about six months. There is a volume control on the back of the unit.

Price: 15 guineas.

Neoplas Ltd, 10 Grafton Street, London, W1.

## Automatic Ledger Posting

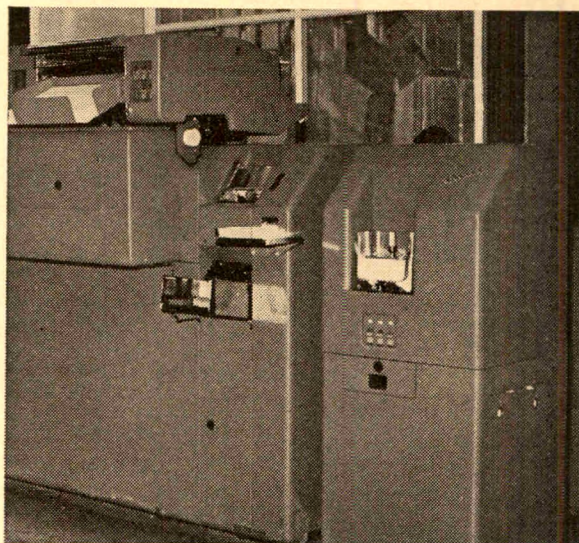
THE *I.P.C.* ledger posting device enables punched-card equipment to deal automatically with a complete range of book-keeping operations - including the posting of transactions to individual ledger sheets. Designed for use with the Standard Bull tabulator, it is said to handle an average of 1,500 ledger entries per hour.

The special ledger form measures 14½ in. by 9 in. Both sides are used, the sheet being turned over automatically when the first side is full. Each side holds up to thirty-five lines containing either eighty-seven or ninety-seven characters (according to the size of the tabulator).

Before the posting operation starts, the ledger forms are placed in the feed hopper in the same order as the corresponding set of punched cards. Unless the pro-

portion of active accounts is high, it is desirable to extract from the files only those cards to which postings are to be made; otherwise, there will be too much idle time on the tabulator.

Once the operation starts, it is wholly automatic. A line detector brings the ledger sheet into the correct



'I.P.C.' Ledger Posting Device on Bull Tabulator

printing position, thus avoiding either overprinting or blank lines. After printing, each line is automatically marked by a perforation at one side of the form. This enables the machine to position the card correctly when the next posting is being made.

Old balances are read from the punched cards passing through the tabulator. After the new balances have been calculated, they are printed on the ledger sheets and punched into new balance cards. All entries are checked.

One of these automatic ledger posting systems has already been installed by a large supplier of building materials in the Midlands.

Price: Approximately £2,500 for the ledger posting device alone.

De La Rue Bull Machines Ltd, 114-118 Southampton Row, London, WC1.

## Non-Fade Duplicator Fluid

ONE drawback of the spirit-duplicating process is that the copies tend to fade under certain conditions - for example, when exposed to direct sunlight or severe dampness. Whether this is a serious drawback depends on the subject-matter. There are some copies (such as labels and production control tickets) which need a greater degree of 'permanence' than is normally called for in routine work. Where this is the case, a new product called *Perma Copy Fluid* gives quick and economical protection without the use of sprays, protective film or special copying papers. It is simply used instead of the normal spirit process fluid.

Price: 30s per gallon. Ten per cent discount for three gallons.

Ditto (Britain) Ltd, 126-128 New King's Road, London, SW6.



# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS C. PERCY BARROWCLIFF & Co, Chartered Accountants, of Middlesbrough, Newcastle upon Tyne, Leeds and Wakefield, announce that Mr MAURICE GEORGE RIDER, A.C.A., was admitted into partnership on April 1st, 1961.

MESSRS BLACKBURNS, ROBSON, COATES & Co, Chartered Accountants, of 59 New Cavendish Street, London, W1, announce the retirement on April 30th, 1961, for health reasons, of Mr A. G. B. GUNN, F.C.A., and Mr J. D. CLARK, F.C.A. They also announce that on May 1st Mr E. J. C. BELL, F.C.A., Mr H. CHASE, F.C.A., Mr L. H. RATTENBURY, F.C.A., and Mr K. P. SMITH, F.C.A., will be admitted as partners at the London office; and Mr R. H. STEWART, M.A., F.C.A., at the Manchester office. Messrs A. G. B. GUNN and J. D. CLARK will remain available for consultation.

MESSRS BOWKER, ORFORD & Co, Chartered Accountants, of 26-28 Hallam Street, Portland Place, London, W1 announce that they are taking into partnership as from May 1st, 1961, Mr D. A. PERRY, A.C.A., who has been a member of their staff for a number of years.

MESSRS HARRISON, WEST, LEDSAM & Co, Chartered Accountants, of 33 Waterloo Street, Birmingham, 2, announce that they have taken into partnership Mr DAVID FREDERICK PERKINS, A.C.A., who has been a senior member of their staff for some years.

MESSRS LEECH, EVANS & Co, Chartered Accountants, of 45 Warwick Road, Coventry and 3 South Place, Moorgate, London, EC2, announce that Mr ERIC SMITH, A.C.A., who has been a member of their staff for the past nine years, will be admitted into the partnership as from May 1st, 1961.

MESSRS LITTON, POWNALL, BLAKEY & HIGSON, and their associated firms, Messrs ASTBURY, MITCHESON & MILLER and Messrs DRYDEN, DORRINGTON & Co, Chartered Accountants, of 42 Spring Gardens, Manchester 2, announce that Mr DAVID P. HARLOW, A.C.A. and Mr KEITH ASHTON, A.C.A., who were previously senior members of the staff, have been admitted as partners into all three firms as from April 11th, 1961.

MESSRS J. NEEDHAM & Co, Chartered Accountants, of Manchester and Stockport, announce the retirement as from April 5th, 1961, of Mr HERBERT HARRY BARON, M.B.E., F.C.A., who has been a partner in the firm for forty-two years. Mr DAVID ALEXANDER WILD, A.C.A., who served his articles with the firm has been admitted into partnership as from April 6th, 1961.

MESSRS LOMAX, KING & ROTHMER, Chartered Accountants, announce that their office at 83 Bridge Street, Manchester, has removed to 1 North Parade, Parsonage Gardens, Manchester, 3.

MESSRS ROBERT H. MARSH & Co, Chartered Accountants, of 73 Ethelburga House, 91 and 93 Bishopsgate, London, EC2, announce that they have taken into partnership Mr HAMISH S. RENTON, A.C.A., who has been closely associated with the firm for many years. The style of the firm will remain unchanged.

MESSRS OGDEN, HIBBERD BULL & LANGTON, Chartered Accountants, of Audrey House, Ely Place, London, EC1, announce that Mr R. B. OGDEN, F.C.A., will retire from the firm on April 30th in order to devote his time to consultative work. He will retain an office at the above address and be available for consultation by arrangement. The practice will be carried on by the remaining partners.

MESSRS HARRY L. PRICE & Co, Chartered Accountants, of 47 Mosley Street, Manchester, 2, announce that as from March 31st, 1961, they have admitted into partnership Mr NORMAN ALBERT ARMSTRONG, A.C.A., and Mr ROBERT JOSEPH CHARLTON, B.A.(COM.), A.C.A., who have been associated with them as members of the staff for some time.

Mr H. ROBINSON, F.C.A., practising as ROBINSON & Co, at 4 Elm Hill, Norwich, and 44 Earsham Street, Bungay, announces that he has admitted into partnership Mr ARTHUR THOMAS SAMPSON, F.C.A., who has been associated with him for many years and Mr MICHAEL BLACKBURN, A.C.A., who served his articles with Mr ROBINSON and has subsequently been engaged in a senior capacity. The firm's name will remain unchanged.

MESSRS SMITHSON, BLACKBURN & Co, Chartered Accountants, of Atlas Chambers, King Street, Leeds, 1, announce that as from April 1st, 1961, Mr A. JAMES WARING, B.A., A.C.A., has been admitted to the partnership, which will be carried on under the same firm name as before.

MESSRS R. STIRRUP & SON and Messrs JAMES TODD & Co, announce the amalgamation of their firms. The new partnership, which will consist of the principals of both firms, will practise under the style of JAMES TODD, STIRRUP & Co, Chartered Accountants, at 19 Winckley Square, Preston.

MESSRS JOSHUA WORTLEY & SONS announce that as from April 1st, 1961, they have taken into partnership Mr KENNETH TRICKETT, F.C.A., who has been a member of the firm's staff for twenty-one years. The style of the firm will remain unchanged.

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### REVALUATION OF ASSETS

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MESSRS ARTHUR YOUNG & Co, London office, announce that they have opened branch offices in Djakarta and Palembang, Indonesia, with Mr C. R. WARMAN, A.C.A., as the resident partner in Indonesia.

MR GORDON A. HOSKING, F.I.A., A.T.I.I., F.S.S., F.I.S., Consulting Actuary, 11-12 Finsbury Square, London, EC2, has been joined in partnership as from April 1st, 1961, by Mr KENNETH J. BURTON, F.I.A., A.S.A., F.S.S., and in future the name of the firm will be GORDON A. HOSKING & Co.

## OBITUARY

### Lord Dovercourt, F.C.A.

It is with regret that we record the death on April 22nd, in his eighty-second year, of Lord Dovercourt, F.C.A. (formerly Sir Joseph Stanley Holmes), senior partner in the firm of Stanley Holmes & Co, Chartered Accountants, of London.



Educated at the City of London School, Lord Dovercourt - who followed his father into the profession - was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1901 (being placed second in the Final examination of June that year), and was elected to fellowship in

1908. As Mr Joseph Stanley Holmes, he served as a member of the London County Council from 1910 to 1919 and as Liberal National and Conservative member of Parliament for North-East Derbyshire from 1918 to 1922 and for Harwich from 1935 to 1954. He introduced as Private Members' Bills the Inheritance (Family Provision) Act, 1938, and the Coast Protection Act, 1939. He was knighted in 1945 and following his retirement from the Commons at the end of 1953, was created a baron in the New Year Honours of 1954.

Lord Dovercourt's interest in politics was equally matched by his interest in industry and commerce and he was chairman and director of a number of industrial concerns, including the Beecham Group, of which he was chairman for fourteen years until his retirement in 1958. He had served as a Vice-President of the Building Societies Association for many years.

### THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on May 1st, in the vestry of St Mary Woolnoth Church, King William Street, London, EC3. The scripture for reading and thought will be Isaiah, Chapter 53, verse 12 (Christ's intercession for sinners).

## OVERSEAS EMPLOYMENT TAX

The Board of Inland Revenue have announced that income tax will no longer be charged on lump sums referable to service overseas and receivable by employees from provident funds (or under arrangements analogous to those of such a fund) on termination of employment overseas.

Previously a person coming to the United Kingdom after employment overseas might have been liable to United Kingdom tax on a lump sum paid to him out of a provident fund in connection with his overseas employment. In future there will be no United Kingdom tax liability on lump sums of this kind provided they are paid on termination of the overseas employment.

## THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

### President's Dinner

The President of The Association of Certified and Corporate Accountants, Mr J. E. Harris, B.COM., F.A.C.C.A., gave a dinner last Monday at the Carpenters' Hall, London. The principal guests were the Right Hon. Sir Reginald Manningham-Buller, Bt., Q.C., M.P., Attorney-General, and the Right Hon. Lord Mills, K.B.E., Paymaster-General. Also present were: Messrs C. F. Askew (Joint Manager, Abbey National Building Society); G. L. Barker (Vice-President, of the Association); T. J. A. Barrett (Member of Council); A. G. M. Batten (President, The Institute of Arbitrators); Sir Pridham Baulkwill, C.B.E. (Public Trustee); Professor W. T. Baxter (Professor of Accounting, University of London); Messrs R. T. Bell (an Assistant Secretary of the Association); Richard Berens ('Daily Telegraph'); F. Booth (Chairman, Association of Scottish Chartered Accountants in London); The Rt. Hon. The Viscount Brentford; The Rt. Hon. Sir Norman Brook, G.C.B. (Secretary of the Cabinet); Mr P. A. Bundy (Chief Accountant, Weapons Group, U.K. Atomic Energy Authority).

Messrs F. A. Callaby (Member of Council); G. E. Cameron (President, The Institute of Chartered Accountants in Ireland); The Rt. Rev. and Rt. Hon. Henry Montgomery Campbell, M.C., D.D. (Lord Bishop of London); Messrs G. P. Catchpole (G. P. Catchpole & Co); V. R. Chennell (Member of Council); L. F. Cheyney (Secretary, The Institute of Municipal Treasurers and Accountants); William Clark (Member of Parliament for Nottingham South); H. Clarke (Member of Council); William Clarke (City Editor, 'The Times'); G. H. Clements (Director, Société Genevoise Ltd); Sir Edmund Compton, K.B.E., C.B. (Comptroller and Auditor-General); Sir Cecil Crabbe (Chief Registrar of Friendly Societies); Messrs R. P. Crout (Secretary, Schweppes Ltd); Derek Dale (City Editor, 'Daily Mirror'); C. R. M. Davidson (an Assistant Secretary of the Association); William Davis (City Editor, 'Evening Standard'); A. L. de Bruyne (Director, Nederlands Instituut van Accountants); Dr W. Dieterich (Secretary, Institut der Wirtschaftsprüfer in Deutschland); Messrs Derek du Pré (Secretary, The Institute of Cost and Works Accountants); H. Eason (Secretary, The Institute of Bankers); I. M. Edwards (Finance Manager, European Operations, Ford International Division, Ford Motor Co); Frederick Ellis (City Editor, 'Daily Express');

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Dr W. Elmendorff (*President, Institut der Wirtschaftsprüfer in Deutschland*); Mr E. D. Foster (*Editor, 'The Director'*).

Messrs C. G. Garratt-Holden, C.B.E., T.D. (*Secretary, The Building Societies Association*); J. A. Gopsill (*Member of Council*); P. F. Granger (*Vice-President, The Institute of Chartered Accountants in England and Wales*); J. H. Gunlake, C.B.E. (*President, The Institute of Actuaries*); Bernard Harris (*'Sunday Express'*); H. Hill (*Comptroller, AC-Delco Division of General Motors Ltd*); L. A. Hill (*Head of Method and Procedures Division, Shell International Petroleum Co Ltd*); R. A. R. Hill (*Director, Mond Nickel Co Ltd*); J. H. Hills (*Member of Council*); Julian Hodge (*Hodge & Co*); E. Holt (*Controller of Finance, Dunlop Group of Companies*); William Jackson (*Immediate Past President of the Association*); C. V. Jarvis, J.P. (*Member of Council*); The Rt. Hon. Lord Jenkins (*A Lord Justice of Appeal; Chairman, Company Law Amendment Committee*); Mr C. M. Jennings (*Assistant Treasurer, Imperial Chemical Industries Ltd*); Sir Alexander Johnston, K.B.E., C.B. (*Chairman, Board of Inland Revenue*); Messrs Sydney C. Jones (*Member of Council*); Douglas Kay (*Member of Council*); J. W. Kerr (*Secretary, the Morgan Crucible Co Ltd*); Sir Norman Kipping, J.P. (*Director-General, Federation of British Industries*); Mr P. C. J. T. Kirkman (*Kirkman, Manning & Kay*).

Mr J. C. Latham, D.L.; The Lord K. St J. Latham, J.P. (*Member of Council*); Messrs J. Leckie, C.B. (*Second Secretary, Board of Trade*); H. W. Leonard (*Assistant General Manager, Alliance Building Society*); Sir Sydney Littlewood (*Immediate Past President, The Law Society*); Messrs D. G. N. Lloyd-Lowles (*Director, Firth Cleveland Ltd*); W. J. Luxton (*Secretary, The London Chamber of Commerce*); M. F. MacCormac (*Member of Council*); E. H. V. McDougall (*Secretary, The Institute of Chartered Accountants of Scotland*); A. S. MacIver, C.B.E., M.C. (*Secretary, The Institute of Chartered Accountants in England and Wales*); Niall MacPherson, M.P. (*Parliamentary Secretary, Board of Trade*); The Rt. Hon. Lord Mancroft, K.B.E., T.D. (*Director, Great Universal Stores Ltd*); Messrs P. J. Mantle, C.M.G. (*Assistant Secretary, Board of Trade*); T. S. Martin (*Chairman, Staples Printers Ltd*); A. C. S. Meynell (*Member of Council*); T. W. Milner (*Member of Council*); C. D. Morley (*Secretary, The Stock Exchange*); T. O. W. Newman (*Director and Chief Accountant, Holland & Hannen & Cubitts Ltd*); C. A. Newport (*Member of Council*); J. Nichols (*Treasurer, Bowater Paper Corporation Ltd*); B. J. Nicholson, M.B.E. (*Master, The Carpenters' Company*); Sir Edward Norman (*Chief Inspector of Taxes*); Messrs J. R. Norman (*Member of Council*); John North (*Director, London Press Exchange Ltd*); W. Sholto Olleson, T.D. (*Member of Council*); W. S. Orr (*Secretary, The Institute of Chartered Accountants in Ireland*); F. Cameron Osbourn, M.B.E. (*Secretary, of the Association*); V. J. Oxley (*Member of Council*).

Professor Cyril Northcote Parkinson; Messrs B. H. Pearce (*Managing Director, Lamson Industries Ltd*); S. J. Pears (*President, The Institute of Chartered Accountants in England and Wales*); E. J. Perry (*Assistant General Manager, Pearl Assurance Co Ltd*); J. F. Phillips, O.B.E. (*Secretary, The Chartered Institute of Secretaries*); Percy Phillips (*Percy Phillips & Co*); J. A. R. Pimlott (*Under-Secretary, Ministry of Education*); T. R. Powell (*Member of Council*); Cyril Preston (*Managing Director, International Paints*

(*Holdings Ltd*); W. S. Risk (*President, The Institute of Cost and Works Accountants*); Stuart M. Rix (*President, The Chartered Institute of Secretaries*); Patrick Sergeant (*City Editor, 'Daily Mail'*); J. P. Shaw (*Member of Council*); The Rt. Hon. Lord Shawcross, Q.C. (*Director, Shell Petroleum Co*); Messrs F. W. Smith (*H. W. Stutter & Partners*); J. R. Sparey (*an Assistant Secretary of the Association*); Major-General Sir Edward Spears, Bt., K.B.E., C.B., M.C. (*Chairman, The Institute of Directors*); Messrs E. Spencer (*Member of Council*); R. J. W. Stacy, C.B. (*Under-Secretary, Board of Trade*); R. Statham, C.B.E., J.P. (*Member of Council*); W. E. Stepto (*Member of Council*); J. C. Stewart (*Vice-President, The Institute of Chartered Accountants of Scotland*); Professor J. R. Stone, C.B.E., (*P. D. Leake Professor of Finance and Accounting, Cambridge*); Mr R. G. Sturley (*Managing Director, Sturley Bros. Ltd*).

Messrs G. F. Tomlin (*Joint Managing Director, Ductwork Ltd*); N. R. Tribble (*Manchester Exchange and Investment Bank Ltd*); M. T. S. Tuckwell (*Stanley Tuckwell & Co*); Graham A. Usher (*President, The Institute of Chartered Accountants of Scotland*); R. Van Iper (*Collège National des Experts Comptables de Belgique*); H. T. Veall (*Controller of Death Duties*); W. C. Walgate (*Special Adviser, Credit Foncier d'Algerie de Tunisie*); Arthur E. Webb (*Editor, 'The Accountant'*); A. L. A. West, O.B.E. (*President, The Institute of Municipal Treasurers and Accountants*); E. T. Westmacott (*Alex. Parkes, Westmacott & Co*); J. Whitehouse (*Managing Director, Montague Burton Ltd*); Francis Whitmore (*City Editor, 'Daily Telegraph'*); Marcel Wiat (*President, Collège National des Experts Comptables de Belgique*); C. Reginald Willis (*Editor, 'Evening News'*); Robert Wood (*Hon. Sec. Association of Scottish Chartered Accountants in London*).

#### DEFENCE BONDS: CONVERSION OFFER

The Treasury has announced that a conversion offer will be made to holders of 3 per cent Defence Bonds purchased between March 15th, 1951, and September 14th, 1951, and maturing on September 15th, 1961, of which £5.3 million are outstanding.

These holders will be invited to exchange their holdings into 5 per cent Defence Bonds (Conversion Issue) on September 15th, 1961. Holders who accept the offer of conversion will be paid interest at 3 per cent per annum on September 15th, 1961, for the period from March 15th, 1961, to September 14th, 1961. Acceptance of the offer of conversion will not involve any break in the holders' encashment rights.

The terms of the new Conversion Issue Bond will be the same as those of the 5 per cent Defence Bonds (second issue) currently on sale, except that the interest will be payable on April 1st and October 1st; the first interest payment will be made on April 1st 1962. The full conversion terms will be given in the prospectus and notice which will be issued to individual holders on May 13th, 1961, together with forms of request for conversion and forms of authority for repayment for the use of holders who do not accept the conversion offer. The list of acceptances of the conversion offer will be closed on June 16th, 1961.

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the syllabus of the Final examination should be extended, as indicated in recommendation (33), notably to include questions on management accounting and the elements of economics, is balanced by the proposals to divide it into two parts, to reduce the syllabus and length of the Intermediate examination and to orientate both the times of the examination sessions and the first permissible dates during the period of his articles when the clerk would be allowed to present himself. Finally, in this section, is the sensible 'weeding-out' provision that, only at the Council's discretion would a candidate be permitted to sit any examination after the expiry of his articles unless he had successfully sat the Intermediate examination during his articles.

Recommendation (42) accepts that the Universities Scheme should be continued meantime and then follows the longest single section report – on the difficult subject of theoretical study. The committee's approach to the problem is admirably stated in paragraph 142 the gist of which is that the Institute examinations is only one feature (and in the committee's view not the most important) of a clerk's essential training, and that anyone who aspires to be a worthy member of the Institute must be prepared to study, concurrently with his professional duties, for the rest of his working life. It is not surprising, therefore, that after having given full consideration to the evidence submitted to it, the committee suggests in recommendation (43) that the emphasis for preparation for examinations should be, as at present, 'on study assisted by tuition rather than on tuition supported by study'. It does, however, suggest by way of recommendations (46)–(51) that, as a supplement and with the co-operation of district and students' societies and local educational institutions, introductory oral courses to the Institute's examinations might be established.

On the question of study material, the committee would prefer that the Institute did not recommend definite textbooks and that any lists it published should be intended only to illustrate the types of books of which the student should make use.

As regards the students' societies, the committee recognizes the vital contribution they have to make towards the professional welfare of articulated

clerks but regrets that, under present conditions, they have 'good contact with a small proportion of the members but disappointingly little contact with the great majority'. It advocates (in recommendation (59)) that principals should urge the greater use of their facilities and the societies themselves are advised, in the preceding recommendation, to concentrate more on developing 'a corporate professional sense' among their members.

The last four sections of the report are short and deal with the establishment of an education fund, financed by fees levied on clerks when signing their articles and used to defray the Institute's share of the cost of student activities; with study leave which should remain at a maximum of twelve months but have the minimum increased to twenty-six weeks; and with certain statistical records to be maintained by the Institute of the remuneration paid to clerks and of their progress.

As a tail-piece to the report come two statements of reservations by Mr BERTRAM NELSON, C.B.E., F.C.A., and Mr H. O. H. COULSON, F.C.A. Mr NELSON would like to see a much closer connection established between the profession and the universities both for training clerks and for the study of accountancy. Mr COULSON's reservations are more numerous and his alternative recommendations on the points he raises, together with Mr NELSON's summary of his own views, are reproduced with the majority recommendations elsewhere in this issue.

The report and its threescore and ten recommendations are now being referred to the appropriate committees of the Council and to the committees of the district societies and, in the meantime, must not be regarded as reflecting an official attitude. It will doubtless be studied, also, more informally but no less critically by principals and by clerks and, indeed, by many schoolboys anxious to know what new road Mr PARKER and his colleagues suggest they should take. We can assure all present and prospective clerks here and now that, although many of the bends would be straightened out, the way would still be as long and arduous as before. There never will be any real short cut to becoming a chartered accountant and the committee has done well to keep this firmly in mind when submitting its proposals.

## The Finance Bill

**T**HIS year's Finance Bill, published last week, is unusually brief. It covers less than thirty-seven pages and contains only thirty-three clauses and six schedules.

Clause 1 imposes the 10 per cent duty on persons providing television advertisement programmes and empowers them to recover it from those for whom the programmes are broadcast. If advertisements are placed through an agent, the amount on which duty is calculated is to include the commission or discount allowed. The first schedule provides for payment of the duty within fifteen days after the month of broadcast. It also imposes upon the broadcaster certain duties as to keeping records, making returns and the like.

As we surmised, the change in the definition of betting, predicted in the Budget statement, is aimed at cases where a person does not, in fact, make a forecast. Clause 3 provides that the making of payments for the chance of winning money (or money's worth) are to be treated as bets if the payments are made on terms under which the payors have a power of selection which may (directly or indirectly) determine the winner, notwithstanding that the power is not exercised. The change applies to matches etc. taking place after April 28th. Clause 4 provides that Section 5 of the Finance Act, 1952 (provisions for the protection of pool betting duty), shall not apply to pool betting where the promoter is in the Isle of Man and the pool betting is taxed there.

Clause 7 extends the relief in favour of agricultural tractors granted by Section 13 of the Finance Act, 1959.

One of the most striking parts of the Bill is clause 8, which empowers the Treasury until the end of August 1962 to increase or decrease, by not more than 10 per cent, a wide range of customs and excise duties 'with a view to regulating the balance between demand and resources'.

Clause 9 imposes standard rate tax of 7s 9d in the £ for 1961-62 and provides that the same surtax rates are to apply as for 1960-61. Clause 10 then provides that the surtax rates for 1960-61 shall be the same as for 1959-60: a typical example of crabwise Finance Bill drafting.

Clause 11 (1) covers the reliefs already announced in relation to surtax on earned income. Clause 11 (2) extends the relief, in the usual proportion, to non-residents who are able to claim proportionate personal allowances. Clause 11 (3) deals with the case of married couples separately assessed. Clause 12 adds £20 to the range of permitted dependent relative incomes for the purposes of relief under Section 216, Income Tax Act, 1952.

Double taxation relief takes up over two pages. Where an overseas territory gives relief with a view to promoting industrial, commercial, scientific, educational or other development it will be possible under clause 14 to give British relief on the footing that overseas tax was nevertheless paid. Clause 15 corrects the anomaly where more than one year's assessment is based on the same period, but only one year's double tax relief has been given. Clause 16 extends unilateral relief to cover local income taxes. Clause 17 deals with relief in respect of clergymen's rent-free houses and kindred matters. Pension funds for overseas employees are given relief in certain cases by clause 18. Clause 19 retrospectively exempts income paid as compensation to victims of Nazi persecution. Clauses 20-23 contain a new code of restriction of allowances in respect of cars which cost more than £2,000 retail.

Part III of the Bill includes some matters not mentioned in the Budget speech. Clause 28 imposes (not before it was due) a time limit on the making of assessments to excess profits tax, excess profits levy, and the special contribution, of unhappy memory. In general, such assessments are not to be made after the passing of the Act, subject to the usual exception for fraud or wilful default cases. Any assessment made after 1960 and before the passing of the Act, can be appealed against within thirty days after such passing. Clause 30 provides for a maximum of 10s stamp duty on transfers of stock where the transferee is a dealer and is borrowing the stock. The relevant charge is sub-head (2) of the first of the heads relating to conveyances in the first schedule to the Stamp Act, 1891. Clause 27 increases the profits tax rate from 12½ per cent to 15 per cent as from April 1st, 1961. Clause 29 substitutes a fixed twopenny duty for the variable duties on bills of exchange, and clause 26 provides for the controversial powers to impose a surcharge on employers - in other words a 'payroll tax'.

# Payroll Tax Pros and Cons

by A. R. ILERSIC, M.Sc.(Econ.), B.Com., F.I.S.

**W**HATEVER criticisms may be directed at Mr Selwyn Lloyd's maiden Budget, no one can assert with justice that he failed to surprise us, particularly in the two proposals he put forward, the intention of which is to increase the effectiveness of fiscal policy as an instrument of economic stabilization. This article is concerned with one of those proposals – described in the new Finance Bill as 'Surcharges on employers' and commonly referred to as the 'payroll tax'. Clause 26 of the Bill proposes that:

- (1) 'If . . . it appears to the Treasury that it is expedient so to do with a view to regulating the balance between demand and resources in the United Kingdom, the Treasury may by order direct that . . .
- (2) ' . . . an employer shall be liable, in respect of each person in respect of whom the employer is liable to pay a contribution . . . under the National Insurance Act, 1946, . . . to pay a surcharge of such amount, not exceeding four shillings, as may be prescribed.'

Not surprisingly the proposal has aroused considerable controversy. If imposed for a full year it would yield over £200 million, but political considerations may well ensure that this payroll tax may never be put into effect. The question is: Would such a measure be a good thing, or not?

## 'Our Scarcest Commodity'

Speaking in the debate on the economic situation last February the President of the Board of Trade declared that:

'A policy of growth means the full use of our labour force, our scarcest commodity . . . we must have much more mobility of labour, mobility not necessarily so much between place and place, but between industry and industry, and between skill and skill . . . this mobility . . . is what must be encouraged.'

Few would dissent from this statement of aims. One of the major restrictive factors which has slowed down the pace of economic expansion within the United Kingdom and contributed materially to the almost continuous depreciation in the purchasing power of the pound sterling, has been the serious shortage of labour. With one brief exception, the proportion of unemployed in the labour force in Britain since 1946 has remained continuously below 2 per cent. For much of this

time, notified unfilled vacancies have exceeded the number of registered unemployed. In such circumstances two results were inevitable. The competition for labour between firms in the same industry and between different industries has produced wage and salary increases which, all too often, have not been justified by increased productivity. Given the existing method of industrial wage negotiation on a national basis, with differentials between skills and different trades so jealously observed, it is almost remarkable that money incomes have not risen still higher. And, until some new method of wage and salary negotiation has been devised which adjusts incomes in relation to the needs of the economy, rather than in accordance with pre-war differentials and what is euphemistically termed 'job-comparability', there is a reasonable certainty that increases in disposable income will each year exceed the growth in the national product.

The contraction of consumer expenditure on certain durable goods in 1959–60 created a labour problem which, although not new – after all redundancy has been experienced in several industries since 1948 – has compelled the Government to reconsider its methods of economic stabilization. The object of the restrictive credit policy, high Bank rate and increased outlay taxes on selected goods, is to cut down demand. This is followed by reduced output of the affected goods and, according to classical economic theory, redundant labour would gradually move into those industries for whose products demand was high and expanding.

## Theory and Practice

In theory, re-distribution of labour should be achieved by variations in wage levels, raising only those in industries and occupations where labour was short. In practice, in the post-war labour market with its rigidities, the use of the pricing mechanism would only have accelerated the pace of the wage-cost inflation. It was, however, the widely publicized experience of the motor-car industry during 1959–60 which brought the problem of inadequate labour mobility to a head. In consequence of the recession in the demand for cars, there were some dismissals, but in the main the labour force went on to a shorter working week.

While the motor industry nursed its redundant labour with – to many people's surprise – the aid of the Welfare State, which supplemented earnings with 'unemployment' benefit, other branches of the engineering industry were desperately short of labour. A report on the engineering industry by O.E.E.C. in 1958 had already drawn attention to the shortage of skilled workers and its effects in limiting output within these industries which account for about two-fifths of Britain's exports. The reasons for the unions' policy at this time were perfectly clear; while the employing firms' willingness to carry these extra costs in a period of recession can be explained by a variety of reasons, good and bad. What the Government's views on the situation were may be imagined, for if its economic policy could not produce any flexibility within the economy, the outlook was indeed serious.

In the light of these events it was hardly surprising that there should have been a spate of suggestions for using fiscal policy to enhance labour mobility and to ensure its more efficient utilization. In addition to several references in economic and financial journals to taxes on employment to encourage plant modernization and thereby economy in the use of manpower, a P.E.P. study of the British economy<sup>1</sup> stressed that labour in Britain was cheaper than in some other countries and in consequence employers were wasteful in its use. In his 1960 address to the shareholders of Lloyds Bank, Sir Oliver Franks suggested the use of fiscal measures to ensure a more economic use of labour resources; and, more recently, a conference of industrialists, convened by the Federation of British Industries, reached a similar conclusion. The proposal was not altogether new; it had been proposed in principle and for slightly different reasons in a White Paper on employment policy as long ago as 1944.

### **Inflationary Factor?**

Now the Chancellor has adopted the suggestion but, as already stated for reasons which have become increasingly apparent since the Budget, there are doubts whether the tax will ever be used. As the proposal now stands, there can be little doubt that it could be a serious inflationary factor. For example, there is a strong case for contending that the tax should be imposed more frequently in times of boom when labour resources are stretched, than in periods of

recession. Yet, since at the proposed maximum rate the tax represents less than 2 per cent of the average worker's wage and with profits bearing tax at 53½ per cent, it is difficult to see just how it will encourage employers to be sparing in the use of labour. In boom periods the tax would be automatically shifted, as are other direct costs, on to the consumer. Both unions and employers will justifiably complain that the tax discriminates against those industries in which the labour-to-capital ratio is high, however efficiently the labour force may be deployed. It is, for example, an interesting speculation to contemplate its effects on finances of the National Coal Board. Apparently the tax would apply to the Civil Service, local authority staffs and the personnel of public boards. To tax these bodies is ridiculous; administrative action is all that is necessary if they have surplus labour. Yet if these bodies were exempted, what would be the feelings of employers in the private sector when they are compelled to cut staffs and pay the tax?

### **Should be Discriminatory**

From the purely economic point of view, of course, the tax should be used as a discriminatory weapon; that is, it should fall on those firms which are actually hoarding labour. For example, in the 1960 recession the tax should have been imposed upon the motor-car industry but not on, say, firms in the machine tool industry. In its present form, the tax is certainly open to criticism since it is nothing more than a fresh impost designed to extract another £200 million from industrial profits. If the Government were really determined to enhance labour mobility by such a fiscal device, then the rate per redundant or under-employed worker still on the books must be higher. Then it would be a deterrent. Again, it should only fall on those firms which are hoarding or are wasteful in their use of labour (how can this be determined?) and certainly not on firms which have moved to the special areas largely in response to the Board of Trade's requests to help the employment situation. Should, moreover, the tax fall equally on all grades of labour? For example, is it not desirable that the tax should be paid by the British Transport Commission in respect of its unskilled staff only?

Quite apart from the practical problems of administering such a tax, one can foresee the reaction of the unions in such circumstances. Labour 'mobility' to the Chancellor means 'unemployment' to the trade unionist. It is difficult to understand Mr Selwyn Lloyd's think-

<sup>1</sup> *The Promotion of Economic Growth*. P.E.P. Report (1961). See *The Accountant*, March 25th, 1961, page 350.

ing in the light of the trade unions' avowed policy and recent action over redundancy. It would be idle to pretend that the trade unions have not noted the comment of the Institute of Directors that the payroll tax 'will presumably strengthen their hands in dealings with the more intransigent unions on questions of redundancy'. In the circumstances, the comment by the Prime Minister a few days after the Budget that this particular tax might not be needed, is understandable.

Despite all these weaknesses, the theoretical reasons for retaining this payroll tax in modified form are clear; if only because it offers the first hope of resolving – in the long run – the hitherto intractable twin problems of labour immobility and hoarding by some employers. The rate should be higher so that retention of excess labour is

strongly discouraged. If combined with substantial capital allowances and remission of other taxes such as the local rate, as proposed in 1958 by Sir Robert Shone, economic adviser to the steel industry, it could increase the pace of labour-saving investment in all sectors of British industry. If, as seems administratively essential, the tax will have to be applied to all labour within given firms, then compensatory relief should be given by reducing the taxes falling on company profits.

As it now stands, the tax would merely be a revenue raiser and industry would be burdened by excessive taxation. Firms are not given any strong incentive to economize in labour; and in those firms and industries with a large labour force, there is a common interest between employers and labour to oppose the tax.

## Machine Operators' Manuals

### THEIR PURPOSE AND UTILITY

by JOHN W. MITCHELL, A.C.A.

**W**HEN a new mechanized office procedure is being developed, one of the most frequently overlooked necessities is a proper instruction manual. This applies whether the procedure is developed for a small accounting machine installation, for punched cards, or for a computer. There are many instances of large mechanized offices where all manner of complications occur in normal routine data processing which could be avoided if such a manual existed. Frequently these offices are equipped with procedure manuals detailing the duties of various grades of staff, and indicating the flow of information around the various sections involved. But in regard to the actual machines, there is nothing – the operators are expected to remember it all.

#### Expansion of Installation

Whilst in small installations the operators may indeed be fully conversant with the machines and their work, in large installations this is impossible. Moreover, most small installations tend in course of time to grow, and it is often through that tendency that the original omission is never rectified. At first, the purpose and utility of a manual is not realized because everybody knows all about the work involved. Later, time and money may be spent in developing new

and improved procedures and routines: programmers draw up revised comprehensive instructions for the use of the equipment; according to the type of machine, programme bars are set, plug boards connected or internal programmes prepared. An operator is then selected and told what to do: if the trial run is performed successfully, the new process quickly becomes routine and the operator is left to pass on verbal instructions to any other who may perchance be required to assist or take over – and the all-important manual continues to be overlooked.

Contrast this with a manufacturing workshop. Here detailed specifications of requirements are compiled and passed to the machine operators with instructions for producing each job or batch. Nobody doubts that these detailed instructions are a necessity in avoiding wastage of time, materials and overheads, and in eliminating hold-ups in the flow of productive work. Why should not similar considerations apply in the office? When, however, a tabulator, for instance, produces the wrong results through the operator making a mistake in setting up for the run, it is often regarded as a regrettable, but none the less inevitable, lapse. If a manual were in existence, it might well have been avoided.

Though clerical machine room staff may justifiably regard themselves as office workers, it is as well to remember that they are engaged on



production work which is often more akin to the factory, and factory methods of organization and control could be employed with advantage. Prepared standard operators' instructions are one way of achieving the desired results. Compared with the amount of money which may be spent on investigating a new system and installing new equipment, the additional cost of preparing proper instructions is negligible; especially if such instructions are compiled at the time of planning the routine, rather than as an afterthought some years later when the need becomes apparent.

### Machine Room Problems

Punched-card room managers may assert that they do not require manuals—their operatives know their work. Usually, in these cases, the truth is that each operator knows a few of the routines which they are required to repeat each week as the work comes through. It may be true that most operators are conversant with machines other than their own; sooner or later, however, owing perhaps to sickness, holidays or leaving, there will be occasions when there will be work which nobody knows how to handle.

At such times it may be possible to refer back to the programmer's notes, made some years before, to find out how to operate the routine, and to train another operator, taking into account any alterations made since it was originally formulated which have not been noted in the file records. But it may well be that someone will have to spend several hours finding the correct plugboards or programme bars (somehow the original labels fell off and were not replaced) and then trying to find the correct setting for the various control switches. The existence of an up-dated instruction manual would obviate such predicaments.

When new staff are engaged they do not need extensive training in the particular routines of the office if a manual is available. The instructions may quickly be explained, and with a copy of the manual in possession, the new operators can soon accustom themselves with the processes involved. Here it may be stated that there would appear to be a strong case for a nationally agreed format for manuals of this nature, with which all operatives could be made conversant in the early stages of their training; then they could enter any installation, take a copy of the manual of standard design and commence work. This would make available to all the versatility which machine operators are supposed to possess but which is seldom apparent in the machine room.

So much for the necessity of having a proper manual and the troubles to which its absence can give rise. Now a few words about its format and content. It is not, of course, essential to have an expensively printed manual. It should, however, be a clear, hard-wearing production that can be issued to all members of the staff. A loose-leaf binder holding duplicated instructions has definite advantages, but there should be a standing embargo on the removal or replacement of sheets other than by a specifically authorized person. Indexes may be periodically produced, as well as new instruction sheets, together with memoranda about other matters affecting machine-room discipline. The manual should also include such information as punched card and magnetic tape storage allocation, and the correct situation in the racks of various plugboards etc.

Full details should be shown of all routines which have to be performed on the same data, or on by-product results, including the sequence of processes, equipment employed, etc. If the runs can only be performed on a particular tabulator, for instance, that fact should be stated. Instructions as to plugboards or programmes, the use of control loops, and the setting for various switches and levers should be detailed. What action to carry out at various breakpoints, if any, should be stated, as well as instructions for error routines, i.e. data out of sequence, or incorrect results.

### Conclusion

In addition to the various set-up instructions, cross checks to be performed with other routines should also be given. For ease of reference it is essential that a uniform layout be adopted, that switch setting instructions should always occur in the same sequence, and that where several plugboards are employed, they should be dealt with in a standard order. Indeed, if this is not strictly adhered to, a manual may tend to confuse rather than to clarify.

The use of a manual will encourage versatility among operating staff, and will assist in preventing the boredom of merely performing the same routine time after time. The machine-room controller's job will be eased as he will be able to allocate work to staff as they become available, and not wait until the appropriate operator is free. This will also tend to improve machine utilization if proper through-put control is available in the office.

Finally, it may be reiterated that the compilation of a manual is greatly simplified if the instructions are produced when the routines and processes are themselves formulated.

# Training to be a Chartered Accountant

## PARKER COMMITTEE'S REPORT

*On August 6th, 1958, the Council of The Institute of Chartered Accountants in England and Wales appointed a Committee on Education and Training under the chairmanship of Mr W. E. Parker, C.B.E., F.C.A. The Committee's report, published yesterday (May 5th), is the subject of a leading article elsewhere in this issue. Reproduced below are the Committee's terms of reference, with their main conclusions and recommendations.*

THE Council has decided that the report should be referred to the appropriate committees of the Council and of the district societies. Until these committees have given the report the close study which it requires, the Council will not be in a position to indicate its own attitude to the various recommendations. In the meantime, therefore, although it has agreed to publication, the report should *not* be looked upon as giving any indication of the views of the Council.

### Constitution of the Committee

The terms of reference of the Committee were as follows:

'to consider the education and training appropriate for entrants to the profession, the existing arrangements and facilities therefor, and the changes, if any, which should be made so as to ensure the provision of an adequate supply of trained candidates suitable in all respects for admission to membership of the Institute; and to make recommendations.'

The Committee has consisted of the following members of the Institute, all of whom have served throughout the inquiry:

Mr W. E. Parker (*Chairman*); Mr W. B. Nelson (*Vice-Chairman*); Messrs W. L. Barrows, P. F. Carpenter, D. R. N. Clarke, H. O. H. Coulson, W. G. Densem, J. S. Ellison, D. V. House, N. G. Lancaster.

Mr P. F. Granger, who was originally an appointed member, became an *ex officio* member on his appointment as Vice-President of the Institute. In that capacity he has attended some of the Committee's meetings, as have also Mr C. U. Peat and Mr S. J. Pears during their respective years first as Vice-President and subsequently as President of the Institute.

### Dissenting Views

Certain aspects of the report are the subject of dissenting views by Mr Bertram Nelson and Mr H. O. H. Coulson. For space reasons it is not possible to reflect their views, as set out in the report, in detail; their principal contentions, however, are indicated in italics with the recommendations below.

## Main Conclusions

(a) The fundamental character of the Institute qualification should not be changed but the means and terms of entry into membership need to be adapted to changed and changing conditions.

(b) In that the Institute is responsible for the standards of its members and these standards depend in a large measure on the success or otherwise of the system which leads to entry into membership, the Council must necessarily accept a responsibility for the adequacy and efficacy of that system. We interpret the appointment of our committee as confirming the recognition of that responsibility.

(c) This does not mean that the Institute should itself undertake directly the provision of all the arrangements and facilities which are comprised in the system. The Institute should not however feel bound on principle to confine itself (nor does it in fact now confine itself) to being an examining body.

(d) The terms and conditions of Institute student-ship should now be related primarily to the circumstances of university graduates and of those leaving the

sixth forms of the schools. It is of particular importance to dispel the impression which is widely held . . . that the Institute is content to draw its recruits from those who have left school before reaching the standard of education represented by advanced level in the General Certificate of Education and before reaping the other benefits, including opportunities for carrying responsibility, for exercising authority and for displaying leadership, which accrue to the good 'sixth former'.

(e) The prime requirement of a candidate for admission to membership of the Institute is that, with the background of a good liberal education, he should have developed, in ethics, outlook and conduct the characteristics appropriate to that membership. The other two essential requirements are that he should have a basic theoretical knowledge of all aspects of the work of the profession, and that he should have had sufficient practical experience of professional work to develop method, versatility and powers of judgment and to demonstrate that he is

capable of carrying out professional work in a manner which will uphold the standards of the Institute.

(f) The first and last of these three requirements can best be met through professional upbringing, mainly in their own firms, by members in practice. This upbringing can best be secured by linking practising members and students to one another in mutual obligations under a contract of articles.

(g) It does not follow that, because a member has a practice suitable for the practical training of articled clerks, he will therefore provide them with the requisite professional upbringing. It is of vital importance that the principal should appreciate the full extent of his obligations.

(h) Tests of suitability should be applied with greater emphasis at the beginning of articles. Less reliance would then have to be placed by the Council on the inquiries which are made at the end of articles when candidates present themselves for admission to membership.

(i) The growth of a general practice of transferring articles from one principal to another would strike at the root of the intended relationship between principal and articled clerk, not a casual and transient relationship but essentially a close and continuing one for the duration of the period of upbringing. There is, however, a strong case for permitting principals to second an articled clerk for limited periods to another professional firm where the principal considers that this would benefit the practical training.

(j) The secondment of articled clerks for a limited period to business undertakings which can provide beneficial experience in the preparation and use of accounts for management purposes should continue to be permitted. But it should not be mandatory, nor in all the circumstances should the maximum permitted period be increased beyond the present limit of six months.

(k) To keep abreast of the demands on the profession the examination syllabus needs to be extended in certain directions and its emphasis changed in certain respects. The extensions cannot advisedly be compensated by significant adjustments in other directions.

(l) It is therefore desirable to ease by other measures the strain of the examinations and the burden of theoretical study for them. These measures should

not include facilities for specialization in, or greater emphasis on, certain groups of subjects at the expense of others.

(m) While principals cannot fulfil their responsibilities for the professional upbringing of their articled clerks (including giving them adequate practical experience) unless they plan their pupils' practical work carefully for that purpose, it is illusory to suppose that the practical training and the theoretical study can each be so arranged and phased that throughout articles they are closely related to one another.

(n) To avoid prolonging the period of studentship, a great part of the studies for the examinations must continue to be undertaken out of office hours. This is an appropriate feature of the upbringing for future membership of the Institute. The minimum allowance for study leave needs, however, to be increased.

(o) As a feature of upbringing it is also appropriate that the main emphasis in these studies should continue to be on private reading (and writing) under general guidance.

(p) Although correspondence courses by themselves have inevitable defects, notably the absence or very limited opportunities of personal contact between student and tutor and between fellow students no rapid and radical change in the existing arrangements and facilities for private study is feasible, even if it were desirable.

(q) It would, however, be unwise to ignore the expansion nationally of other facilities for theoretical instruction in professional and technical subjects, and the burden of private study would be lightened if short full-time courses based on oral instruction could be arranged by way of introduction to the successive phases of private study.

(r) For the provision of an adequate supply of suitable candidates it is imperative that the financial terms of articled service, when taken in conjunction with the other features of that service including the qualification to which it leads, should be, and should be known to be, competitive with the terms offered in other occupations. The Institute's power to attract suitable candidates for articles is impaired by the inability to make public some reasonably clear indication of the usual financial terms.

## The Committee's Recommendations

### Articled Service

- (1) that training for membership of the Institute should continue to be based on the system of service in England and Wales (and such other parts of the United Kingdom as the Institute may decide) under articles to a member in practice;
- (2) that the Council's discretion to refuse the registration of articles should be extended to

include discretion to withdraw the registration of articles previously registered;

- (3) that before deciding whether to register a deed of articles in which a practising member is assuming for the first time the responsibilities and obligations of a principal the Council should cause inquiries to be made, by means of a personal interview, into the member's suitability as defined in recommendation (14) for the pro-

fessional upbringing of one or more articled clerks;

- (4) that the practising member should be so interviewed by one or more senior members of the Institute drawn from a panel appointed by the Council for this purpose and covering all districts;
- (5) that the practising member should apply to the Institute for an interview in advance of presenting the deed of articles for registration, and should be entitled to choose whether the member or members of the panel by whom he is to be interviewed should be from the district in which he mainly practices or from elsewhere;
- (6) that the time and place of the interview should be at the discretion of the panel member or members by whom it is to be conducted;

*Mr H. O. H. Coulson's Alternative Recommendation*

*That such interviews with intending principals should take place, if at all, at their offices.*

- (7) that the responsibility of the panel members should be limited to reporting upon the interviews to the Articled Clerks' Committee of the Council;
- (8) that, in the event of a report leaving the Articled Clerks' Committee in any doubt about granting registration, the applicant should be invited to attend a further interview, on that occasion with members of the Committee;
- (9) that in the exercise of its discretion as extended under recommendation (2) the Council should cause inquiries to be made, as and when it thinks fit and in such manner as it decides in the particular case, into the suitability as a principal of any practising member who is a principal under a deed of articles already registered;
- (10) that, in the event of a decision to refuse or to withdraw the registration of a deed of articles, the practising member should be entitled to appeal to the Council;
- (11) that every deed of articles should contain a provision that the first six months (or so much of that period as has not already been served under a previous deed of articles) is a period of probation during which either the principal or the articled clerk may determine the contract by giving notice in writing to the other and to the Institute;
- (12) that every deed of articles should contain a clause providing that any dispute between the parties which arises out of the prescribed covenants and is not resolved by the parties themselves shall be decided by the Council.

#### SUITABILITY OF THE PRINCIPAL

- (13) that in considering suitability for the acceptance of articled clerks attention should be directed

primarily to the personal suitability of the principal;

- (14) that for this purpose suitability should be taken to mean full understanding of a principal's obligations, coupled with belief in the ability to meet them;
- (15) that a principal's obligations should be to fulfil all the prescribed covenants in the deed of articles and in particular to give his articled clerks the requisite professional upbringing, keeping appropriately in touch with the progress of their theoretical studies and providing practical experience of the scope and quality in the atmosphere and under the guidance and example described in the foregoing paragraphs of this report;
- (16) that the present regulations as to the maximum number of articled clerks which a practising member may have at any one time should remain unchanged but should not be interpreted as conferring on practising members any prescriptive right.

#### SUITABILITY OF THE CANDIDATE FOR ARTICLES

- (17) that the Institute's own preliminary examination should cease;
- (18) that instead the minimum standard of general education required for admission to articles should be defined by reference to the examinations for the General Certificate of Education;
- (19) that, subject to certain provisos, the requirement should be that of passes in at least the number of subjects at the levels and at not more than the number of sittings (where specified) prescribed in any one of the following groups, namely,
  - (a) six subjects at ordinary level at one or at any two sittings;
  - (b) five subjects, one of them at advanced level, at one or at any two sittings;
  - (c) six subjects, one of them at advanced level, at any three sittings;
  - (d) two subjects at advanced level;

*Mr Coulson's Alternative Recommendation*

*That the requirement for admission to articles should be:*

- (a) *five subjects at ordinary level at one sitting or six at any two sittings; provided that the subjects English Language and English Literature at ordinary level should for the purpose of admission to articles be regarded and treated as one subject.*
- (20) that the provisos to the preceding recommendation should be
  - (a) that account shall not be taken of passes, whether at ordinary or at advanced level, in any craft or technical subject (including accounting and book-keeping);

- (b) that passes which involve an overlapping of syllabus or similarity of subject, whether at the same or at different levels, shall be treated as being in one subject only;
- (c) that all candidates shall have passed
  - (i) at least at ordinary level in a mathematical subject (not being Arithmetic by itself) and
  - (ii) at ordinary level in English Language or at advanced level in English or English Literature;
- (d) that, except in the case of a pass in English Language and/or a mathematical subject submitted additionally for compliance with the preceding proviso by a candidate who would have qualified but for that proviso, account shall not be taken (unless in relation to any individual candidate the Council for exceptional reasons decides otherwise) of any pass at ordinary level which was obtained at an examination session ended later than during the calendar month in which the candidate reached the age of  $17\frac{1}{2}$ ;
- (e) that candidates who have obtained passes
  - (i) in the degree examinations of any university in the United Kingdom, or
  - (ii) in such of the degree examinations of any other university as may be designated for the purpose by the Council, or
  - (iii) in such other examinations held overseas as may similarly be designated
 shall continue to be thereby eligible for admission to articles;
- (21) that the Council should have discretion to modify the foregoing requirements for a candidate who is at least 27 years old and for ten years since the age of 17 has been continuously in employment as a clerk to a member or members in practice or has had experience which in the opinion of the Council is equivalent to such employment;
- (22) that candidates who either
  - (a) have obtained the degree of a university in the United Kingdom, or such degree of any other university as may be designated for the purpose by the Council, or
  - (b) being eligible for admission to articles by virtue of passes in two subjects at advanced level, have remained at school until the end of the term in which the candidate reached the age of  $17\frac{1}{2}$
 should be (or continue to be) admitted to articles on the appropriate preferential basis recommended later in this report.

#### THE PERIOD OF ARTICLES

- (23) that the maximum period of articles should remain at five years;
- (24) that graduates of United Kingdom universities

should continue to be granted a reduction of the period of articles to three years;

- (25) that other candidates who
  - (a) have obtained such degree of a university outside the United Kingdom as may be designated for the purpose by the Council, or
  - (b) being eligible for admission to articles by virtue of passes in two subjects at advanced level, have remained at school until the end of the term in which the candidate reached the age of  $17\frac{1}{2}$
 should be granted a reduction of the period of articles to four years.

#### TRANSFER OF ARTICLES AND SECONDMENT

- (26) that transfers of articles should continue to be permitted as at present but should not be advocated;

##### *Mr Coulson's Alternative Recommendation*

*That firms should be encouraged to enter into joint arrangements under which, subject to the clerk's consent, articles may be transferred from one principal to another.*

- (27) that the secondment of articulated clerks should be permitted at any time during articles, at the discretion of the principal but with the concurrence of the articulated clerk, for one or more periods not exceeding in all six months to other members in practice, provided that any such period shall not be counted as acceptable service under articles unless the principal has first given notice to the Council in writing of
  - (a) the name of the articulated clerk;
  - (b) the name of the other member in practice;
  - (c) the nature of the experience to be provided by the secondment;
  - (d) the approximate date on which the period is to begin;
  - (e) its expected duration;
  - (f) the fact of the articulated clerk's concurrence;
- (28) that the existing terms and conditions on which principals are permitted to second their articulated clerks for a maximum in all of six months' service in an industrial, commercial or other organization approved by the Council should continue unchanged;
- (29) that principals should be reminded of the importance of leading their articulated clerks to appreciate the many purposes for which accounts are used, especially their use as an aid to management;
- (30) that the services of the Institute and the District Societies should be made available to assist in putting practising members into touch with one

another for the purpose of secondment of articulated clerks for service in other professional offices, and in putting business undertakings and principals into touch with one another for the purpose of secondment to such undertakings;

- (31) that the combined length of the time spent in secondment and on the principal's business abroad should not amount to more than

(a) twelve months for those serving five years' articles;

(b) nine months for those serving four years' articles;

(c) six months for those serving three years' articles;

these periods to be subject to the overriding limit that, including study leave, the absence from the principal's practice in the United Kingdom should not in total exceed one-third of the term of the articulated service.

### THE PROFESSIONAL EXAMINATIONS

- (32) that the professional examinations should continue to be so framed as

(a) not to encourage specialization during articles;

(b) to provide so far as possible a test of practical competence;

- (33) that the syllabus of the final examination should be extended

(a) by increasing the number of papers on 'Advanced Accounting' to three so as to give additional scope for examination in the accounting, statistical and other matters specified in Appendix E, which relate to the use of accounts for the purposes of management; the additional paper, 'Advanced Accounting (III)', to have special reference to this aspect of accounting, thereby relieving the 'General Financial Knowledge' paper of that part of its present content which relates to 'Cost and Management Accounting';

(b) by including in the 'General Financial Knowledge' paper, relieved of 'Cost and Management Accounting' and renamed 'General Financial Knowledge (including elements of Economics)', certain elementary aspects of the subject of Economics; a suggested syllabus for the paper as revised is given in Appendix F;

- (34) that the Examination Committee should be invited to consider allowing some choice of questions in papers in the final examination, notably 'Advanced Accounting (III)', 'General Financial Knowledge (including elements of Economics)', and possibly 'English Law (II)';

- (35) that, on the basis of allotting three hours to each

paper, the final examination, so extended and rearranged, should be divided into two parts as follows

#### Part I

Advanced Accounting (I)	.. ..	3 hours
Advanced Accounting (II)	.. ..	3 "
Auditing, including investigations	.. ..	3 "
Taxation (I) - the taxation of personal incomes; death duties	.. ..	3 "
English Law (I)	.. ..	3 "
		<hr/> 15 hours

#### Part II

Advanced Accounting (III)	.. ..	3 hours
General Financial Knowledge (including elements of Economics)	.. ..	3 "
Taxation (II) - as for Taxation (I) with the addition of the taxation of corporate bodies, including profits tax	.. ..	3 "
English Law (II)	.. ..	3 "
		<hr/> 12 hours

- (36) that the examination sessions for the two parts of the final examination should be held six-monthly as follows

Part I - March and September

Part II - May and November

- (37) that the syllabus and length of the intermediate examination should be reduced

(a) by substituting for the existing three papers on 'Book-keeping and Accounts' two papers on that subject, both of them to include 'the use of accounts';

(b) by omitting the subjects of Executorship and Cost Accounting;

(c) by omitting the subject of Taxation, except to the extent that the treatment of taxation in accounts is already included in the papers on 'Book-keeping and Accounts';

*Note.* - It is not intended to relieve candidates of all study of taxation at this stage but to enable them to limit this study to acquiring such rudimentary knowledge of income tax and profits tax as will enable them to apply correct principles to simple examples of the book-keeping treatment and accounting presentation of these taxes in commercial accounts.

the examination then to consist of

Book-keeping and Accounts (including the use of accounts) two papers each of three hours	.. ..	6 hours
Auditing	.. ..	3 "
General Commercial Knowledge (including Elements of English Law)	.. ..	3 "
		<hr/> 12 hours

- (38) that candidates should not be permitted to sit

(a) for the intermediate examination earlier than  
(i) in the case of candidates serving three years' articles, the eleventh calendar month



- (ii) in the case of other candidates, the seventeenth calendar month following that in which the service under articles began;
- (b) for either part of the final examination until they have passed the intermediate examination;
- (c) for Part II of the final examination
  - (i) before sitting, whether or not successfully, for Part I, and
  - (ii) earlier than the sixth calendar month preceding that in which the service under articles is due to expire;
- (39) that candidates should continue to be required to pass the intermediate examination in its entirety at any one sitting, but that in relation to each part of the final examination the Council should consider use of a discretion to allow a candidate who would have passed the relevant part but for failure in one paper to be re-examined in that paper alone at a subsequent sitting;
- (40) that candidates should continue to be ineligible for admission to membership of the Institute unless and until
  - (a) they have completed their articulated service, and
  - (b) they have passed all the examinations or, having been granted exemption from the intermediate examination, have passed both parts of the final examination;
- (41) that, except at the Council's discretion, candidates should not be permitted to sit any of the examinations after the expiry of articles unless they have successfully sat the intermediate examination during articles.

*Mr Coulson's Alternative Recommendation*

*That, apart from some change of emphasis in the syllabus, no change be made in the phasing and scope of the examinations.*

**THE 'UNIVERSITIES SCHEME'**

- (42) that pending further experience the 'universities scheme' should continue in its present form, except that service in the principal's office during the university vacations should not be counted as part of the acceptable service under articles.
- THEORETICAL STUDY**
- (43) that in the preparation for the Institute's professional examinations the emphasis should continue to be on study assisted by tuition rather than on tuition supported by study; in other words that, as a necessary feature of a professional upbringing, the responsibility and the initiative for acquiring requisite theoretical knowledge should continue to rest mainly with the student;
  - (44) that the theoretical study should continue to be largely concurrent with professional work and to make a considerable demand on the articulated clerk's time and attention outside office hours;
  - (45) that the Institute should not feel bound as a matter of principle to confine itself to being an examining body but should consider itself free to intervene directly or indirectly in the arrangements for study and tuition to such extent as may appear to be necessary from time to time;
  - (46) that, without contemplating any radical change in the existing arrangements and facilities for study and tuition but as a supplement to them, the Council should cause inquiries to be made through some or all of the District Societies and their related Students' Societies into the feasibility and probable cost of providing, in collaboration with local educational institutions, in each of the Winter, Lent and Summer terms three courses, each of not more than three weeks' duration, by way of introduction to the studies for the intermediate, final (Part I) and final (Part II) examinations respectively;
  - (47) that it should be an essential condition of any such arrangements that the courses should be exclusive to the Institute's articulated clerks, should be under the general supervision of the Institute and relevant District Society and should be identified as part of the activities of the relevant Students' Societies;
  - (48) that the content of the courses should be based on the provisional syllabus as given in Appendices H, I and J;
  - (49) that, if and when the introductory course for the first of the three phases of study, that for the intermediate examination, is established in any area, attendance at one session of it during the first five months of the probationary period of articles should be made obligatory for all articulated clerks in that area except
    - (a) university graduates serving a reduced period of articles;
    - (b) candidates who are admitted to articles under bye-law 79; and
    - (c) such others as the Council may in its discretion excuse for special reasons,
 the clerks in categories (a) and (b) to be eligible to attend if they wish;
  - (50) that both articulated clerk and principal should receive from the course a report on, or other indication of, the articulated clerk's aptitude as demonstrated by his performance at the course;
  - (51) that, if and when the second and third introductory courses, those for the study for the first and second parts respectively of the final

examination, are established in any area, all articulated clerks in the area should be eligible to attend one session of each course; and that this eligibility should be retained by students whose articles have expired before they have completed the final examination;

*Mr Coulson's Alternative Recommendation*

*That (in place of Recommendations 46-51) inquiries be instituted with Students' Societies (and District Societies where they are concerned) with the object of ensuring that these societies do, or can and will, provide programmes of functions suitable for the purpose and that the necessary machinery can be set up to enable the Institute to require entrants for examinations to produce authenticated evidence of compliance with regulations as to attendance at a specified part of such functions.*

- (52) that consideration should be given to the publication from time to time of statistics of the over-all performance in the Institute's examinations on the lines of those given in this report;
- (53) that information should not normally be published about the results in individual papers in the Institute's examinations, but that it be left to the Examination Committee to recommend at any time any official statement or comment which it considers necessary and likely to be beneficial.

*Mr Coulson's Alternative Recommendation*

*That:*

- (a) *Statistics of the overall performance in the Institute's examinations on the lines of those quoted in the Committee's report should be regularly ascertained and published.*
- (b) *Information should normally be published about the results in individual papers and questions in the Institute's examinations.*

### STUDY MATERIAL

- (54) that, except to the extent of the three following recommendations, the Institute should not for the present intervene in the field of textbooks and other study material for articulated clerks, but that the introductory courses which we have advocated should be looked upon as one possible means of changing the conditions which at present largely govern the demand for and production of such textbooks and that the development of these courses should be watched from that standpoint;
- (55) that the published syllabus
  - (a) for that part of the final examination which relates to the use of accounts for the purposes of management (see Appendix E), and
  - (b) for the revised paper on General Financial Knowledge (see Appendix F)
 should be accompanied by an illustrative list of

publications, prefaced by an explanatory note in some such terms as:

'The following are examples of the kinds of books on these subjects which would be appropriate to study for the examination. It is not to be inferred that these particular books are recommended by the Institute in preference to others or that the list is comprehensive. Examination questions will not be set by reference to any particular book or books. The list is given solely in order to assist examination candidates and their tutors to gauge the depth in which the subjects should be studied.'

- (56) that the books named in these illustrative lists should be as shown in Appendix K;
- (57) that on passing the intermediate examination every articulated clerk should receive from his Students' Society without charge a personal copy of
  - (a) the material comprised in those sections of the *Members' Handbook* which are listed in Appendix L;
  - (b) the Institute's publication *Standard Costing*; and
  - (c) a booklet, to be prepared by the Institute for the purpose, containing information about the Institute including a general description of its structure and the place in that structure of the Council and its principal Standing Committees, the Taxation and Research Committee, the District Societies and the Students' Societies.

### THE STUDENTS' SOCIETIES

- (58) that, apart from their association with the introductory courses which are the subject of recommendation (46) and any participation in facilities for revision, the attention of the Students' Societies should be directed (or redirected) not to the examination syllabus as such but to their main objects of wider professional education and the development of a corporate professional sense;
- (59) that, when interviewing prospective principals, members of the panel appointed by the Council for that purpose should stress the importance which the Council places on the Students' Societies and on the adequate use of their facilities by articulated clerks, and should ask for the collaboration of the principal in securing that use.

### EDUCATION FUND

- (60) that, as a contribution towards expenditure by the Institute on facilities for articulated clerks' professional education, a fee should be payable by or on behalf of every articulated clerk at the time of, and as a condition precedent to, the registration of articles;

- (61) that the amount of the fee should be determined in the light of the probable expenditure when estimates have been obtained;
- (62) that the fees should be paid into a separate Education Fund, constituted as a charitable fund for income tax purposes;
- (63) that the Education Fund, so constituted, should then assume responsibility for the whole of the Institute's expenditure on student activities;
- (64) that the whole of the fee should be refunded in the event of the termination of articles during the probationary period, but that there should be no refund in any other circumstances.

### STUDY LEAVE

- (65) that the maximum allowance of study leave over the whole period of articles should remain at twelve months, but that the prescribed minimum should be increased to twenty-six weeks, of which not less than four consecutive weeks should be allowed immediately before the first sitting of each of the three examination sessions.

### REMUNERATION

- (66) that immediately and thereafter at appropriate intervals information should be obtained in each district from all principals who are willing to give it as to the normal scale of the emoluments for articled clerks by way of salary, bonuses and other payments or material benefits which they would now expect to offer for, respectively,
  - (a) United Kingdom university graduates,
  - (b) candidates with passes in two subjects at A level,
  - (c) other candidates,
 the amount to be expressed as the combined total of the emoluments for the whole period of articles;
- (67) that the information so obtained should be treated as confidential in relation to individual principals and firms but should be collated for each district so as to indicate for each of the three classes of candidates
  - (a) the extreme range,
  - (b) the range most typical;
- (68) that the information so collated for each district should be issued to all principals (or if administratively more convenient to all practising members) throughout the United Kingdom and should be made available to any other members of the Institute on request;
- (69) that, so soon as it appears that a recognizable pattern of total emoluments for articled clerks exists in any district, appropriate information

should be given to all those known to be concerned in advising university graduates and school leavers about their choice of career, and that similar information should be made available by the Institute or the District Society on request to any other interested person.

### INSTITUTE RECORDS

- (70) that, to facilitate regular review of the recruitment and progress of articled clerks, consideration should be given to recording the information specified in Appendix M in a manner which would enable statistics to be produced without difficulty.

#### Mr Bertram Nelson's Reservations

*Mr Nelson takes exception to the majority statement:*

*'Our general feeling is that the opportunities for any further extension of the profession's connection with the universities be more in the field of postgraduate and post-qualification activities.'*

*He feels that the educational objectives set out in the report would be brought nearer to attainment if the following steps were taken in relation to the Universities Scheme:*

- (a) *If advantage is to be taken of the present era of university expansion, it is desirable that the local committees already mentioned (which include university and professional representatives) should explore the desirability of increasing the university intake quotas under the Scheme.*
- (b) *The local committees should be asked to consider further work on the preparation of brochures for headmasters, such brochures not only giving information about the Scheme but also describing the profession and the advice which is available in finding vacancies for articled service.*
- (c) *The Joint Standing Committee should be asked to review university syllabus requirements and time-table, in the light of experience gained over the past fifteen years.*
- (d) *University teachers should be asked to join with other accountancy teachers and with educational advisers in discussions on methods of teaching (including films and film strips) and the provision of new books.*
- (e) *More members of the Institute, with practical experience, should be encouraged to take part in university teaching, on a part-time basis (for example, by larger firms encouraging junior partners to participate in this work and by Council members taking part in occasional discussions at their universities). A liberal education is not incompatible with practical common sense and universities have shown their willingness to benefit from help given in this way.*
- (f) *On accounting research, there should be more contacts between the profession and the universities. This should be a gradual process but there is a real need for more 'postgraduate' work in the profession: no educational system is satisfactory unless it is accompanied by postgraduate work.*

# Weekly Notes

## The Institute's Annual Meeting

THE eightieth annual meeting of The Institute of Chartered Accountants in England and Wales was held last Wednesday and the full text of the address by the President, Mr S. John Pears, F.C.A., appears on other pages. A report of the proceedings at the meeting will be published in our next issue.

Of particular interest to readers, in view of correspondence which has appeared in our columns in the recent past, will be the President's comments on the subject of registration of the profession. Another matter of interest, though of a more domestic nature, will be the Council's decision, as an experiment, to associate next year's annual meeting with a whole day conference.

## Rolls-Royce 'Know-how' is Taxable

THE Court of Appeal, unanimously reversing a decision of Mr Justice Pennycuik, has held that lump sums received by Rolls-Royce Ltd from certain foreign governments for the sale of its 'know-how' fall to be treated as trading receipts and therefore taxable in the company's hands (*Jeffery v. Rolls-Royce Ltd* (*The Times*, April 27th)). One of the agreements was made in 1946 with China, at the wish of the British Government, in order that Rolls-Royce aero engines might be manufactured there. The company was to supply complete drawings and engineering data and other necessary information, together with information on subsequent improvements, and arrangements for interchange of staff. The agreement was to last five years, during which royalties would be payable, but in addition China paid a lump sum of £50,000 as 'consideration for the rights granted hereunder'.

The Crown conceded that a single lump sum as proceeds of sale of technical knowledge would be capital in the company's hands. However, the China agreement was only one of a number, and the activities of selling 'know-how' had become part of the trade. Giving the first judgment, Lord Justice Holroyd Pearce asked rhetorically whether the fact that a major consideration for the £50,000 was the imparting of technical knowledge took it out of the category of trading receipts, bearing in mind that the other consideration admittedly constituted trading receipts. The knowledge sold was the transient by-product of advancing engineering science, accruing automatically and ever-changing. Secret knowledge quickly became obsolete; practical experience was less transient but partook less of the nature of a fixed asset, and could find no place in any balance sheet. So far as lump sums were received for imparting knowledge they were sums regularly received in implementing the company's policy of making agree-

ments to secure royalty revenue from countries where it could not manufacture itself. None of these considerations was by itself conclusive, but they had a cumulative weight. The only reasonable conclusion from the facts found by the Appeal Commissioners was that the lump sums were trading receipts of a revenue nature.

The company was given leave to appeal to the House of Lords.

## Competition Needed?

CONCENTRATION of economic power through a gradual process of mergers and amalgamations in British industry began before the end of the nineteenth century. Directly related to this development was the inter-war growth of restrictive trade agreements which played their part in diminishing 'cut-throat' competition and in providing a modicum of security for both jobs and profits. After 1945, changed economic conditions led to a reappraisal of this trend which, on the whole, had enjoyed the approval of inter-war Governments. The outcome of this rethinking was the Labour Government's 1948 Monopolies Act, to be followed by the 1956 Restrictive Practices Act, enacted by a Conservative administration. The critical findings of the Monopolies Commission attracted considerable publicity, as have the more recent decisions of the Restrictive Practices Court, in particular that in the *Cotton Yarn Spinners* case. The cancellation or expiration to date of nearly half of the 2,300 agreements registered under the 1956 Act, at first sight suggest that this legislation is proving effective.

The latest Hobart Paper<sup>1</sup> of the Institute of Economic Affairs, prepared by Mr John Heath, an economist, questions this facile conclusion. He points out that the agreements have been largely replaced by 'open price' agreements whereby competition is restrained by means of exchanges of price lists and information within the industry. American experience reveals, states Mr Heath, that 'even when regulated, such agreements may be as effective as collusive arrangements that are more restrictive'. The author asserts that since business men on the whole are in favour of restricting competition, then 'it must be the task of the State to ensure that the competitive element is present'. To this end he advocates that the Monopolies Commission be given sharper teeth and be made independent of the Board of Trade which, for a wide range of needs, must maintain cordial and close relations with industry. At the same time, Mr Heath wants the Restrictive Practices Court to tighten up its requirements for exemption.

Mr Heath makes his case well, but is the issue really so simple as many of his readers may well believe? The inter-war years saw the reduction of competition in many markets, including the labour market. Organized labour really prefers the present trend towards concentration in business and industry

<sup>1</sup> *Not Enough Competition*, by John Heath. Hobart Paper No. 11. Barrie & Rockliff, London, 3s 6d.

as providing greater economic security, even if it does sometimes mean higher prices for consumers. Mr Heath is quite right to criticize, but the solution required is much more fundamental than a mere tinkering with existing legislation.

### Survey of Women Chartered Accountants

A LEADING article in *The Accountant* of February 15th, 1958, commented on the paucity of information relating to women members of the accountancy profession in the United Kingdom, in contrast to the position which obtains in the U.S.A. Arising from this, and after much deliberation, the Women Chartered Accountants' Dining Society is venturing on a survey of women members of The Institute of Chartered Accountants in England and Wales. The project has both the support and financial backing of the Institute.

Copies of a questionnaire, with an explanatory letter, are being sent to all women members with the request that they should be completed and returned by May 31st. The information sought from each individual is to be regarded in strict confidence and not even the surveyor, Miss M. A. T. Hodge, B.A., F.C.A., Lecturer in Accounting at Manchester University, will be able to identify those participating.

Questions relate to training, examinations, experience, professional income, other qualifications, whether voluntary work is undertaken and, in the case of married members, if professional work was given up or continued full-time or part-time, etc., after marriage.

We warmly support the Chairman of the Society, Miss Margaret Fox, F.C.A., in urging all women members of the Institute to participate in this survey; the resulting report would be of considerable value in the recruitment of women to the profession as well as filling a gap in the history of the Institute and the profession in general.

### Report on Shipbuilding

LAST month a subcommittee of the Shipbuilding Advisory Committee issued a report. The main interest in their findings is the level of activity which they consider to be likely for the shipbuilding industry in the next few years. They say that United Kingdom shipowners will need about one million gross tons a year of shipping and that the British shipbuilding industry should be able to obtain the bulk of these orders. Over the four years 1962 to 1965 it is expected that the shipyards will be turning out an average of just under 900,000 gross tons a year, from a capacity of 1.6 million gross tons.

This is considerably less than the potential capacity of the industry. It is usually considered that the shipbuilding industry in this country needs about 1½ million tons a year of orders from United Kingdom shipowners and about half a million tons of export orders in order to be prosperous. There is thus a considerable gap between the optimum level of activity in the industry and the likely level of launch-

ings over the next few years. It will also be noticed that the potential capacity of the shipbuilding industry is put at a fairly modest figure. So far as export orders are concerned it would appear that the likely level of launchings on foreign account over the next few years is likely to be rather less than one-quarter of a million tons per annum. The shortfall between the desirable level of home and export orders and those likely to be received is therefore fairly evenly divided between the two categories.

### United Kingdom at the brink of E.C.M.

THE report in a responsible daily newspaper towards the end of last week that this country is about to enter the European Common Market was promptly denied officially. No doubt, however, official quarters will be grateful that the report received a good deal of publicity for it put up a trial balloon without involving the official position. There has indeed been a flavour of contradiction in recent pronouncements on Britain's attitude towards the E.C.M. which suggests that a final and perhaps agonizing decision is not far off.

This week, talks were held over two days in London between French and British officials dealing with the harmonizing of this country's agricultural policy and the interests of Commonwealth food producers with the agriculture of the six member-countries of E.C.M. The other outcome of the London discussions will be how far there is a sign of accommodation on the part of the French. Recent reports from Paris have been somewhat more encouraging. Since the French have been much preoccupied, however, with other matters in the last two or three weeks it is exceedingly difficult at the present time to gauge exactly what the French attitude on this country's admission to the European Common Market is likely to be. What is lacking at the present time is a clear idea of what specific sacrifices are expected on both sides.

The United States Government has clearly indicated that it would be happy to see fusion brought about between the European Common Market and the European Free Trade Association of which the United Kingdom is the leading member. Members of E.C.M., excluding the French, have also indicated that they wish this country and therefore the other member countries of E.F.T.A. to join the E.C.M. There is not lacking therefore a general spirit of accommodation. What is now required is a series of concrete proposals which will bring Britain and its other associates of E.F.T.A. within the E.C.M. without in any way reducing the effectiveness of the treaty of Rome - a point on which all members of E.C.M. are agreed.

### Pension Fund Valuations

THE desirability of consultation between employer and actuary in determining what the future pace of funding a pension scheme ought to be was emphasized in a joint paper presented at a meeting

of the Institute of Actuaries in London last week. The authors, Messrs Geoffrey Heywood, M.B.E., F.I.A., F.F.A., and Maxwell Lander, F.I.A., F.F.A., pointed out that the financial position of most pension funds had been materially affected in recent years by the general rise in levels of remuneration and by the investment trend away from fixed interest securities towards equities. An actuarial valuation of a pension fund, which was an assessment of the financial position, looking to the future as well as to the past, had to have regard to these changed conditions.

The determination of the rate of interest to be used

in the calculations, the treatment of assets, and particularly the value to be placed upon fixed interest stocks and equities so as to be consistent with the discounted capital value of the liabilities were discussed. In a striking table they showed what the true yield would have been, in retrospect, for each of the thirty constituents of *The Financial Times* industrial ordinary index, if bought at the highest price in 1950 and sold at the lowest price in 1960. No fewer than twenty-one out of the thirty would have effectively yielded more than 10 per cent per annum over that period.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 75

RECENTLY I've been trying to get away from book-work and the remote 'Ivory Tower' of the typical accountant, and instead get out and about the factory. It's a good principle to see what makes things 'tick'. When I was an articled clerk, I worked on the audit of a cigarette factory's books for weeks on end, but our senior was a hard driver who kept the juniors' noses to the grindstone, and never did I see the production line. It's been a lasting regret of mine. Nowadays I encourage our own young auditors to tour our premises occasionally, and it seems to pay off handsomely.

Ilkley, our factory manager, invited me to inspect our boiler overhaul and I jumped at the chance. He provided protective clothing, as it was a messy job, so I was togged out in boiler suit, high rubber boots, neckscarf - and even a helmet; I looked rather impressive, I thought. At this stage my secretary, normally an imperturbable young lady, entered the room and promptly dissolved in peals of laughter. I began to realize I looked more like the refuse-collector.

However, the tour was interesting. The boiler was a huge old multi-tubular vertical one, in a bad state of disrepair. We scrutinized the smoke-blackened bricks, some cracked or disintegrated, the warped steel plates, and the insulation, a spongy layer of lagging which Ilkley was wont to describe as his 'refractory lining'.

Later we climbed through the brickwork to view the intricate system of piping running through the factory and dyehouse. It was quite impressive. It was also rather hazardous; a reverberant clang and a sharp, dizzy, impact above my skull warned me once that a helmet was essential for such people who forget to duck.

It was quite late when I got back to my own room, hot and grubby, and started to doff my uniform. My feet seemed to have swollen and the heavy rubber boots were stiff and tight. It was a struggle to work off the first one. The second jammed, as I couldn't get proper leverage on it; after much pushing and tugging it was clear that help was necessary; it would be embarrassing, of course, but unavoidable, to summon a junior to pull it off.

As it turned out, the staff had all gone home . . . then I had a bright idea. I hobbled out to the old stair-head, a carved and contorted mahogany piece; here it was simple to wedge the boot-heel in an angle of the floral design and heave powerfully . . . no luck. And again . . . no luck.

Well, that was that; it would have to be the night-doorman after all; I had better hop down to him. To my horror, I couldn't! The wedging had been too effective. I was securely anchored; I would have to shout.

My voice was soon worn to a hoarse croak. The thick doors were obviously soundproof, or the whole place was deserted! I was completely isolated. More calling; nothing whatsoever to throw; no light switch within reach to turn on and off; knuckles raw from tapping on the floor. It began to look serious.

Standing on one stockinged foot with the other trapped in a vice, is funny at first; then the discomfort turns rapidly to pain. The night watchman was unlikely to visit this old cul-de-sac. . . . I wonder if pneumonia or pleurisy were the more likely . . . gangrene sets in twenty minutes after the blood supply is cut off . . . oh for that Ivory Tower again! Oh for a peaceful ledger at my desk! Oh to turn back the clock!

By this stage I was too exhausted to stand, but owing to the angle at which the boot was stuck I couldn't sit. Squatting backwards, one leg up, balanced on my hands . . . it was torture; flesh and blood couldn't stand it.

'Now then, seems tha' hast properly put t'foot in it!' Ilkley's voice came as if from heaven. 'Come t'fetch you for drink. Reet lucky for you I saw an odd boot in t'counting-house.'

Maybe I'll cancel those tours for the auditors after all.



# Finance and Commerce

## Comparison

THE recently issued accounts of Blundell, Spence & Co Ltd – makers of paints since 1811 – for the year to October 31st, 1960, which are the subject of this week's reprint, are presented in 'an appropriate form' to mark the company's 150th anniversary. A point on the accounts is that they include the income from the Permoglaze acquisition during the year. In his statement, Mr E. B. Calvert, the chairman, says that in a circular at the time he stated that the directors were satisfied that Permoglaze profits for the thirteen months to October 31st, 1960, would be at a similar level to the previous year, a forecast which has proved to be fully justified.

Consolidated trading profit of the group is shown at £719,278 against £516,753 and after the various adjustments, including taxation, the consolidated net profit is £282,364 against £212,129, or £264,515 against £195,607 after minority interests.

But, says Mr Calvert, pre-acquisition profits of £78,736 must be deducted, leaving £185,799 compared with £195,607 for the previous year. Which raises the query: What would the accounts have shown without Permoglaze?

Last year when the accounts were presented in a new form (reprinted in our issue of April 23rd, 1960), Mr Calvert said that frequent revision in the form of accounts made for confusion and caused comparison difficulties. In a letter accompanying a copy of the present accounts it is suggested that we misconstrued his remarks for 'The comparisons given at that time for the previous year were, of course, on a comparable basis'. This year, however, it would seem that the comparisons are not valid for Permoglaze is in, but no adjustments are evident. It should have been possible to show, perhaps by a short note, how Permoglaze affected the present comparison.

## Not Impossible

This sort of thing is not impossible. Other companies do it. Mr Reginald Palmer, chairman of Associated Biscuit Manufacturers Ltd, for instance, does so in his review with that company's 1960 accounts. Drawing attention to an 'important increase' in group profits and net assets, he points out that this is due to the inclusion for the first time of the figures of W. & R. Jacob & Co (Liverpool) Ltd, whose contribution in 1960 was fully up to expectation at the time of the merger.

He continues: 'If the results for 1960 are compared with the combined results of the group and W. & R.

Jacob (Liverpool) for 1959, profits were not quite maintained. The profit before taxation of £1,971,156 for 1960, compares with £2,055,487 for 1959'.

## Loss of Profits

A HAPPY tribute to 'the generous action of some of our competitors' is paid by Lord Peel, chairman of Jas. Williamson & Son Ltd, the linoleum manufacturers of Lancaster. The company would have been out of production of one of its major lines for three months after the fire at the factory, it appears, but for competitors' assistance in carrying out part of the processing. With this help and with improvisation in other parts of the factory, customers were kept satisfied, but at an extra cost calculated at £73,000.

Building and plant was covered by insurance, though, states Lord Peel, 'it has been our policy not to insure against the consequential loss of profit due to fire or other catastrophe but to set aside substantial sums each year to reserve in order to be able to meet this contingency'. So £73,000 has been taken from general reserve to profit and loss account in order, he continues, that the figure of net profit resulting from the normal trading operation should be more truly comparable with that for 1959. Taking that into consideration the net profit before tax of £728,638 compares with £622,082.

In view of continued inflation and of the much higher figures of possible loss involved today by reason of the modern trend to concentrate production in large and costly pieces of plant', Lord Peel adds, 'your board have decided it would be wise in future to insure against loss of profit due to fire and breakdown of major plant'. This has been done with a corresponding reduction in reserve allocation.

## Changing Times

STUDENTS of economics may ponder on the implications of the position described by Sir J. Donald Horsfall, chairman of John C. Horsfall & Sons Ltd, spinners, woolcombers and dyers, of Keighley. Sir Donald reports a recovery in profits for 1960 and recalls his statement last year about abandoning double-shift working because of the labour position. Single shift was resumed in April 1960, and operations have been on a more economical basis.

The labour position is now more satisfactory than it was during the double-shift period but the supply of female labour for certain operations still, it appears, remains a difficulty. It is of paramount importance, he says, to have a full complement of operatives to use machinery at the highest level of activity in order to cushion the impact of ever increasing production costs.

## Correction

In the issue of April 22nd, commenting on the accounts of the Irish company, Cement Ltd, we referred to income tax 'at the rate of 5s in the £.' This should have read 7s in the £.

**BLUNDELL, SPENCE AND COMPANY LIMITED  
AND SUBSIDIARY COMPANIES****Consolidated profit and loss account for the year ended 31st October 1960**

	1960 £	1959 £
<b>CONSOLIDATED TRADING PROFIT OF THE YEAR</b> (note 1)	719,278	516,753
Add Income from investments (note 2)	1,138	1,002
	<u>720,416</u>	<u>517,755</u>
Less Emoluments of directors of the holding company (note 3)	42,258	32,794
Remuneration of auditors of the holding company, including expenses	1,600	1,400
Depreciation of fixed assets	119,356	71,728
Loan stock interest (note 4)	24,000	9,209
	<u>187,214</u>	<u>115,131</u>
<b>CONSOLIDATED PROFIT OF THE YEAR BEFORE TAXATION</b>	533,202	402,624
Less Taxation (note 5)	239,989	181,559
	<u>293,213</u>	<u>221,065</u>
Less Items not strictly attributable to the year's trading	10,849	8,936
<b>CONSOLIDATED NET PROFIT</b>	282,364	212,129
Less Net profit attributable to the minority interest in certain subsidiary companies	17,849	16,522
	<u>264,515</u>	<u>195,607</u>
Less Pre-acquisition profit of Permoglaze group	78,736	—
<b>CONSOLIDATED NET PROFIT ATTRIBUTABLE TO THE HOLDING COMPANY</b>	185,779	195,607
Less Dividend on 6½ per cent (5 per cent) preferred stock of holding company, less income tax	7,963	6,125
	<u>177,816</u>	<u>189,482</u>
Less Dividends on ordinary stock of holding company, less income tax (note 6)	120,941	92,964
<b>PROFITS RETAINED (note 7)</b>	<u>£56,875</u>	<u>£96,518</u>

This account should be read in conjunction with the notes opposite

**BLUNDELL, SPENCE AND COMPANY LIMITED  
AND SUBSIDIARY COMPANIES****Notes on consolidated profit and loss account**

1 The accounts of the Permoglaze group incorporated in these accounts are for the thirteen months ended 31st October 1960	1960 £	1959 £
2 <b>INCOME FROM INVESTMENTS - GROSS</b>	819	761
Trade investments	319	241
Other investments	<u>1,138</u>	<u>1,002</u>
3 <b>EMOLUMENTS OF DIRECTORS OF THE HOLDING COMPANY</b>	9,936	12,940
As directors	32,322	19,854
Other emoluments	<u>£42,258</u>	<u>£32,794</u>
A pension of £300 (£300) paid to a past director has been charged to reserve for pensions.		
4 <b>LOAN STOCK INTEREST</b>	24,000	5,000
£400,000 6 per cent unsecured loan stock 1979-84		
£100,000 5½ per cent unsecured loan stock 1959-62 of a subsidiary company	—	4,209
	<u>£24,000</u>	<u>£9,209</u>
5 <b>TAXATION</b>		
United Kingdom taxation based on the profits of the year	44,500	27,400
Profits tax	143,563	111,678
Income tax	51,926	42,481
Overseas taxation	<u>£239,989</u>	<u>£181,559</u>
6 <b>ORDINARY DIVIDENDS - NET</b>		
Interim 6 per cent on £843,210 stock	30,988	20,659
4 per cent on £843,210 stock (paid as 6 per cent on £562,140 stock)		
Final proposed 12 per cent on £1,223,850 stock 14 per cent on £843,210 stock	89,953	72,305
	<u>£120,941</u>	<u>£92,964</u>
7 <b>RETAINED PROFITS</b>		
Retained by subsidiary companies	63,906	65,036
Holding company - general reserve	—	30,000
Holding company - reduction in carry forward (addition)	7,031	1,482
	<u>£56,875</u>	<u>£96,518</u>
8 £121,873 (£130,571) of the consolidated net profit has been dealt with in the accounts of the holding company		

**BLUNDELL, SPENCE AND COMPANY LIMITED  
AND SUBSIDIARY COMPANIES****Consolidated balance sheet 31st October 1960**

	1960 £	1959 £
<b>CAPITAL EMPLOYED</b>		
Preferred capital (note 1)	200,000	200,000
Ordinary capital (note 1)	1,223,850	562,140
Capital reserves (statement on page [566])	168,602	461,632
Revenue reserves (statement on page [566])	740,057	684,640
Attributable to ordinary capital	<u>2,132,509</u>	<u>1,708,412</u>
Total stockholders' interest	2,332,509	1,908,412
Loan capital (note 2)	400,000	400,000
Interest of outside shareholders in certain sub- sidiary companies	77,986	65,492
	<u>£2,810,495</u>	<u>£2,373,904</u>
<b>EMPLOYMENT OF CAPITAL</b>		
Fixed assets (statement on page [567])	1,736,868	1,147,432
Goodwill and trade marks at cost, less amounts written off	182,522	155,686
Net current assets (statement on page [568])	1,096,105	1,216,286
	<u>3,015,495</u>	<u>2,519,404</u>
Less Future income tax assessable 1961-62	205,000	145,500
	<u>£2,810,495</u>	<u>£2,373,904</u>

E. B. Calvert  
E. C. Coverdale | DIRECTORSThis balance sheet should be read in conjunction with the statements and  
notes on following pages**BLUNDELL, SPENCE AND COMPANY LIMITED****Balance Sheet 31st October 1960**

	1960 £	1959 £
<b>CAPITAL EMPLOYED</b>		
Preferred capital (note 1)	200,000	200,000
Ordinary capital (note 1)	1,223,850	562,140
Capital reserves (statement on page [566])	66,133	355,686
Revenue reserves (statement on page [566])	606,750	615,239
Attributable to ordinary capital	<u>1,896,733</u>	<u>1,533,065</u>
Total stockholders' interest	2,096,733	1,733,065
Loan capital (note 2)	400,000	400,000
	<u>£2,496,733</u>	<u>£2,133,065</u>
<b>EMPLOYMENT OF CAPITAL</b>		
Fixed assets (statement on page [567])	937,052	778,305
Goodwill and trade marks at cost, less amounts written off	155,684	109,357
Investments in and amounts owing from sub- sidiary companies (note 3)	1,044,645	732,401
Net current assets (statement on page [568])	420,852	608,502
	<u>2,558,233</u>	<u>2,228,565</u>
Less Future income tax assessable 1961-62	61,500	95,500
	<u>£2,496,733</u>	<u>£2,133,065</u>

E. B. Calvert  
E. C. Coverdale | DIRECTORSThis balance sheet should be read in conjunction with the statements and  
notes on following pages

## Notes on balance sheets

	1960		1959	
1 SHARE CAPITAL	Authorised	Issued	Authorised	Issued
6½ per cent preferred shares of £1 each	200,000	200,000	200,000	200,000
Ordinary shares of £1 each	1,250,000	1,223,850	650,000	562,140
	<u>£1,450,000</u>	<u>£1,423,850</u>	<u>£850,000</u>	<u>£762,140</u>

Share capital issued has been converted into stock.

	1960	1959
2 UNSECURED LOAN STOCK	£	£
6 per cent unsecured loan stock 1979-84	400,000	400,000
3 INVESTMENTS IN AND AMOUNTS OWING FROM SUBSIDIARY COMPANIES		
Shares at cost	976,408	382,127
Advances and current accounts	<u>68,237</u>	<u>350,274</u>
	<u>£1,044,645</u>	<u>£732,401</u>

The investment in Permoglaze Holdings Limited is included at a cost of £819,710 made up as follows:  
Purchase consideration  
1,522,560 ordinary stock units of 5s each at par in Blundell, Spence and Company Limited  
Cash

Stamp duty, legal and other expenses

4 COMMITMENTS FOR CAPITAL EXPENDITURE	
Group	£39,000
Holding company	<u>£8,000</u>
	<u>£28,700</u>
	<u>£12,000</u>

5 FOREIGN CURRENCIES  
In both group and holding company accounts the rates of exchange used are as follows - Australia: £A125 to sterling £100; India: Rs1 to 1s 6d; South Africa: £SA100 to sterling £100.

6 CONTINGENT LIABILITY  
There is a contingent liability in respect of statutory retiring gratuities of approximately £9,650 payable in certain circumstances by a subsidiary.

7 The consolidated accounts incorporate the accounts of overseas subsidiaries for the year to 30th June 1960. The difference in accounting dates facilitates the proper examination of the accounts of overseas subsidiaries and the submission of the consolidated accounts within a reasonable time after the end of the financial year of the holding company.

## Capital and revenue reserves movements for the year ended 31st October 1960

Capital reserves	HOLDING COMPANY		GROUP	
	General reserve (including investment equalisation reserve)	Share premium account	General reserve (including investment equalisation reserve)	Excess profits tax post-war refund suspense account
Balances at 31st October 1959	£ 282,111	£ 73,575	£ 376,444	£ 11,613
Add Capital reserve transferred from a subsidiary	3,477			
	<u>285,588</u>	<u>73,575</u>	<u>376,444</u>	<u>11,613</u>
Less Amounts utilised in bonus issue to ordinary stockholders on 26th January 1960	207,495	73,575	207,495	
Expenses of scheme of arrangement and bonus issue	7,185		7,185	
Expenses of formation of industrial division	4,775		4,775	
	<u>219,455</u>	<u>73,575</u>	<u>219,455</u>	<u>—</u>
	<u>£66,133</u>	<u>—</u>	<u>£156,989</u>	<u>£11,613</u>
Balance at 31st October 1960	<u>£66,133</u>		<u>£168,602</u>	<u>73,575</u>

Revenue reserves	HOLDING COMPANY		GROUP	
	General reserve	Un-distributed profits	General reserve	Pensions distributed profits
	£	£	£	£
Balances at 31st October 1959	525,000	83,987	541,473	6,252
Appropriated from profits for the year (note 7 on profit and loss account)		Less 7,031		
Less Cost of pensions paid less tax relief thereon		1,458		1,458
Amount transferred from un-distributed profits to general reserve			70,166	
	<u>£525,000</u>	<u>£4,794</u>	<u>£611,639</u>	<u>£4,794</u>
Balance at 31st October 1960		<u>£606,750</u>		<u>£740,057</u>

## BLUNDELL, SPENCE AND COMPANY LIMITED AND SUBSIDIARY COMPANIES

Fixed assets 31st October 1960

## HOLDING COMPANY

At cost or at independent valuation, less depreciation

	1960		1959	
	Cost etc	Depreciation	Cost etc	Depreciation
	£	£	£	£
Freehold and leasehold land and buildings	628,834	31,627	571,433	8,251
Plant and machinery	666,964	336,629	439,704	229,591
	<u>£1,295,798</u>	<u>£368,256</u>	<u>£1,011,137</u>	<u>£237,842</u>
Trade investments, at cost		9,510		5,010
	<u>£937,052</u>		<u>£778,305</u>	

## BLUNDELL, SPENCE AND COMPANY LIMITED AND SUBSIDIARY COMPANIES

Net current assets 31st October 1960

## HOLDING COMPANY

## CURRENT ASSETS

	1960	1959
	£	£
Stocks	696,209	407,621
Debtors and payments in advance	463,695	317,571
Investments - quoted Market value - £9,696 (£8,100)	7,253	7,251
Bills for collection	64,954	77,771
Tax reserve certificates	—	50,000
Cash on deposit	—	150,000
Cash at bank and in hand	1,913	19,755
	<u>1,234,024</u>	<u>1,029,969</u>

## CURRENT LIABILITIES

Creditors and accrued charges	449,528	260,853
Bank overdraft	162,942	—
Taxation	110,749	88,309
Proposed dividend	—	72,305
Final dividend on ordinary stock, less income tax	89,953	—
	<u>813,172</u>	<u>421,167</u>

## NET CURRENT ASSETS

	£420,852	£60,802
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## GROUP

At cost or at independent valuation, less depreciation

	1960		1959	
	Cost etc	Depreciation	Cost etc	Depreciation
	£	£	£	£
Freehold and leasehold land and buildings	1,101,724	97,578	1,004,146	36,672
Plant and machinery	1,183,750	586,461	597,289	358,200
	<u>£2,285,474</u>	<u>£684,039</u>	<u>£1,601,435</u>	<u>£394,872</u>
Trade investments, at cost			135,433	5,010
			<u>£1,736,868</u>	<u>£1,147,432</u>

## GROUP

## CURRENT ASSETS

	1960	1959
	£	£
Stocks	1,304,172	926,218
Debtors and payments in advance	1,071,706	807,404
Investments - quoted Market value - £9,696 (£9,105)	7,253	7,253
unquoted	723	—
Bills for collection	64,954	102,914
Tax reserve certificates	—	50,000
Cash on deposit	—	150,000
Cash at bank and in hand	86,325	51,298
	<u>2,535,133</u>	<u>2,095,087</u>

## CURRENT LIABILITIES

Creditors and accrued charges	779,401	549,368
Bank overdrafts (secured in the case of subsidiary companies)	327,664	120,142
Provision for pensions	1,752	1,823
Taxation	232,115	125,857
Proposed dividends	—	—
Holding company: final dividend on ordinary stock, less income tax	89,953	72,305
Subsidiary company: dividend, subject to tax, to minority shareholders	8,143	9,306
	<u>1,439,028</u>	<u>878,801</u>

## NET CURRENT ASSETS

	£1,096,105	£1,216,286
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## CITY NOTES

**I**NDUSTRIAL and Commercial Finance Corporation's attempts to beat the new issue speculators have provided one of the biggest discussion points in the City this week. In connection with the offer of shares in W. D. Evans Golden Produce company – a poultry breeding and 'broiler' concern – I.C.F.C. made it clear that no allotment would be made until all cheques received with applications had been cleared and that multiple applications would be excluded.

There is no doubt that new issue application 'spivery' has assumed dangerous proportions. Any Tom, Dick or Harry who can sign his name to a cheque has been 'having a go' – the niceties of having a bank balance to cover the cheque not being a significant point. Almost every new share offer goes to the ballot for allotment and the punter banks on the assumption that if he is unsuccessful in the ballot his uncleared cheque will simply be returned to him. If he is successful, he can cover himself easily enough. The junior clerk, for instance, who has his wages paid by cheque may find his cheque book an Open Sesame to new issues speculation. By stipulating that all cheques will be cleared I.C.F.C. has hit the 'get rich quick' speculator where it hurts most – in his banking account.

Other issuing houses have talked of taking such action but have not been prepared to accept the time-lag and costs involved. I.C.F.C. is so prepared, and although the Evans Produce lists opened and closed on Thursday, allotment letters will not go out until next Wednesday at the earliest.

## RATES AND PRICES

*Closing prices, Wednesday, May 3rd, 1961.*

**Tax Reserve Certificates:** interest rate (26.11.60) 3%

## Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

## Treasury Bills

Feb. 24	£4 7s 11.85d%	Mar. 30	£4 9s 8.41d%
Mar. 3	£4 8s 10.41d%	April 7	£4 8s 8.68d%
Mar. 10	£4 9s 9.54d%	April 14	£4 9s 7.69d%
Mar. 17	£4 9s 8.57d%	April 21	£4 9s 9.01d%
Mar. 24	£4 9s 8.46d%	April 28	£4 8s 1.71d%

## Money Rates

Day to day	3½–4½%	Bank Bills	
7 days	4½–4½%	2 months	4½–4½%
<i>Fine Trade Bills</i>		3 months	4½–4½%
3 months	5½–6%	4 months	4½–4½%
4 months	5½–6%	6 months	4½–4½%
6 months	5½–6½%		

## Foreign Exchanges

New York	2.79½–½	Frankfurt	11.10½–½
Montreal	2.75½–½	Milan	1734½–½
Amsterdam	10.04½–½	Oslo	20.00½–½
Brussels	114.25½–½	Paris	13.69½–½
Copenhagen	19.34½–½	Zürich	12.10½–½

## Gilt-edged

Cc'sols 4%	64½	Funding 3% 59–69	81½
Consols 2½%	42½	Savings 3% 60–70	79½
Conversion 5½% 1974	95½	Savings 3% 65–75	72½
Conversion 5% 1971	93	Savings 2½% 64–67	84½
Conversion 3½% 1969	85½	Treasury 5½% 2008–12	91½
Conversion 3½%	56½	Treasury 5% 86–89	86½
Exchequer 5½% 1966	99½	Treasury 3½% 77–80	73½
Funding 5½% 82–84	97	Treasury 3½% 79–81	72
Funding 4% 60–90	87½	Treasury 2½%	41½
Funding 3½% 99–04	63½	Victory 4%	96½
Funding 3% 66–68	83½	War Loan 3½%	56½xd

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Accounting Theory

SIR, – In the 'Accounting World' feature of your issue of March 4th, you report the favourable comment in the U.S.A. on the practice of Philips' Gloeilampenfabrieken NV in correcting its accounts for inflation. Nothing I say in this letter is intended to detract from the Philips achievements in this regard or from the contributions of den Heer Goudekot in devising and disseminating the means. He has demonstrated the feasibility and usefulness of measuring business activities of 1960 in terms of 1960 units of account whilst official accounting opinion in the United Kingdom and the U.S.A. still looks backwards for its measurements at the footprints in the sands of 1959, 1958, 1957...

Practising accountants could well follow Goudekot's lead and do something in formal accounts to recognize changes in the value of money. For a profession, however, something more is needed than practical effort. We need to give some substantial attention to fundamental accounting theory. And for the necessary research effort to be substantial enough, official backing and funds are essential.

Part-time voluntary research by committees, however dedicated and competent their members, is not enough. Our associations and institutes need to join in a substantial project, to establish and support full-time research. The most economical, effective and fastest way to do it is in conjunction with the teaching of accounting at the universities. The P. D. Leake Trust made a worthy start in this direction several years ago and currently supports a chair in Cambridge and research fellowships tenable at Birmingham, London or Oxford. It must be followed in strength to bring the study of accounting more firmly into the universities for a full disciplinary development of the subject.

Our profession's neglect in not developing a substantial body of theory to support an advance in



accounting techniques and usefulness goes a long way in explaining the growth of consulting services outside the profession. The changing value of money is only one of the many things which has not been tackled in accountancy; but the failure to mount a thorough-going attack on it is symptomatic of the profession's neglect. Private effort there has been: notably by Goudekot in Holland, Matthews and Grant in Australia and Wilk in England. Lionel Wilk's research was supported by the P. D. Leake Trust (see his book *Accounting for Inflation*); and Matthews and Grant by the Commonwealth Bank of Australia (see their *Inflation and Company Finance*). Official accounting opinion, however, remains at the position that price index adjustments are not factual. This is not only negative but nonsensical when changes in the value of money are one of the facts of business life; and why, in any case, should accounts be monopolized by 'facts', when greater usefulness might come from admitting other things?

To illustrate the need for research even in the limited area of changing price levels, I put the following points:

- (1) Asset revaluations by professional valuers go out of date next day; and what measures can the valuers use other than construction costs or current values of comparable assets nearby? If capital goods' price index numbers are used to revalue assets continually nothing is more calculated to put a business off renewing a particular kind of asset than that its price has gone sky high compared with prices in general.
- (2) An index of general purchasing power may be a better instrument to use for analysing out of accounts the change in the value of money; but neither a capital goods index nor a general price index is suitable for revaluing assets when their current value depends upon their future earning power.
- (3) The future earning powers of assets is sometimes used to calculate comparative returns on capital employed. But this would be circular reasoning if the capital employed is measured in terms of the discounted value of future earnings.

The tremendous difficulties in the price change area and in other areas of accounting (e.g. depreciation, stock valuation) arise because principles and theory are lacking. The price change difficulties, in particular, have been allowed to provide an excuse for avoiding a positive approach to developing the principles needed instead of being treated as a reason for research and development. An officially sponsored profession-wide effort is needed to redeem the time.

Yours faithfully,

Dublin.

A. PAKENHAM-WALSH.

### Graduates and the Profession

SIR, - I appreciate the efforts of the Institute to help university graduates to enter into articles but apparently the Institute and practising members expect university graduates to lower their standard of living

upon their entering into articles. A university student receives roughly a grant of £300 net for thirty weeks in a year, with his tuition and examination fees paid by his local authority.

After the successful completion of his university education, he is advised by the Institute to take up articles, despite the fact that his prospective employer will only offer him £250 gross per full year, out of which £30 will go towards his correspondence course and £25 in National Insurance contributions.

Surely the Institute could inform prospective employers that university graduates are at least twenty-two years old, that they have had a successful academic life, that they also have some idea of the problems that face today's society, and they know their theory of opportunity cost.

If the Institute really wants to recruit graduates into the profession, it must ultimately compete with industry and at least offer them a living wage, it would therefore seem to me that mere encouragement without adequate remuneration is unlikely to attract the more enterprising university graduates into the profession.

Yours faithfully,

GRADUATE.

### Bankers' Certificates

SIR, - I wonder why auditors still request firms to supply bankers' certificates for the balance at their accounting date? This request goes back to the time when somebody forged a bank passbook. In those days the entries were handwritten and it was conceivable to make a forgery by writing the book up yourself. In these days, however, of mechanized bank statements, it hardly seems possible that anyone could go to such lengths in the way of forgery. Certainly, if they could forge this document they could forge many others, and I think no Court would hold an auditor responsible for accepting such a document at its face value.

At the present time, when it is desirable to cut out all unnecessary paper work, I think the Institute should have another look at this matter and perhaps issue one of their recommendations if they see fit.

Yours truly,

London, EC2.

W. F. WHELAN, F.C.A.

### Indian Taxation

SIR, - I have just come across Mr J. D. Peterkin's article entitled 'Indian Taxation' which appears in your issue dated January 14th,

A number of your readers may be interested in a little book entitled *Taxation and Foreign Investment*, (A study of taxation laws in India in relation to foreign investment) prepared by the National Council of Applied Economic Research, New Delhi, and published by the Asian Publishing House, price Rs10.75nP.

Chapter XI, 'Taxation of non-resident companies' contains a short commentary on Sections 42 and 43 of the Income Tax Act, 1922.

Yours faithfully,

Digboi, Assam, India.

C. F. KENT.



# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

## PRESIDENT'S ADDRESS at the Institute's Eightieth Annual Meeting

**A**T the eightieth annual meeting of The Institute of Chartered Accountants in England and Wales held in London last Wednesday, the following address was presented by the President, Mr S. John Pears, F.C.A. A full report of the proceedings at the meeting will appear in next week's issue.

A feature of each of the post-war years has been the remarkable volume and diversity of Institute activity recorded in the annual report. The past year has been



Mr S. John Pears

no exception. In any year a great deal of the work of the Council and staff is concerned with day-to-day administration and with the carrying out of the primary functions of the Institute, namely, control over admission to membership through articulated service and examinations and control over professional conduct by disciplinary measures. In addition, however, there are many other ways in which the Council now renders services to members and services to the public; it is to these aspects of the Council's work that I wish to draw special attention.

### COUNCIL SERVICES TO MEMBERS

The Council is always anxious to provide members with information which is helpful to them in carrying out their daily work. I would like to emphasize some of the ways in which this is now being done.

**Members' Handbook.** The *Members' Handbook* is gradually being built up into a substantial volume containing the Recommendations on Accounting Principles and other technical statements issued by the Council. My impression is that members generally are coming to regard this handbook as an invaluable source of reference in connection with many aspects of their work. I believe this is true of both practising and non-practising members. I hope that those members who have not yet done so will acquire the habit of using their handbook as a regular source of reference. When they do, they may be surprised to find how much useful information it does contain.

**Fees.** One of the additions to the handbook during the year was the new Council statement on the remuneration of practising members. This is a subject of

great importance and I am sure that after reading the new statement a great many chartered accountants will have realized that an increase in the fees they charge to their clients is long overdue. The Council statement does not, however, set up an official scale. Each member must determine his own fees on the basis indicated in the statement. If we do not ourselves place a proper value on our services we cannot expect our clients to do so. Nor can we expect to attract to the profession – and retain on the practising side – the right kind of person unless we are prepared to pay appropriate remuneration; and we cannot pay appropriate remuneration unless the fees we charge to our clients enable us to do so. Some of the information which has come to my notice during my visits round the country has led me to the conclusion that there must be a considerable number of practising members who are charging fees which are far too low. This applies to practices of all sizes. Really strenuous efforts are needed to remedy this situation. We must see to it that the services we provide and our remuneration for them are both worthy of us as chartered accountants.

**Stock-in-trade.** Another of the recent additions to the handbook is Recommendation No. 22 on the 'Treatment of Stock-in-trade and Work in Progress in Financial Accounts'. I believe this to be one of the most important documents ever issued by the Council. It is a comprehensive review, the like of which is not to be found elsewhere, of the many considerations which need to be taken into account in arriving at the amount at which stock-in-trade and work in progress are brought into the annual accounts. My own personal view is that far too many accountants have paid far too little attention to this subject in the past. It is also a subject on which some bad practices have been engendered because of the adoption of an unrealistic attitude by the Inland Revenue. It is seldom that any good comes out of mutual distrust and it is perhaps a happy coincidence that the Council's new Recommendation, which has taken a very long time to prepare, should have been followed so soon by the unanimous decision of the House of Lords in rejecting the Inland Revenue contention in the *Duple Motor Bodies* case. I earnestly hope that these two developments will open up a new era of really sound practice.

**Auditing.** Three years ago the then President, in his address to the annual meeting, mentioned that the Council had decided to see whether a series of statements on auditing could be prepared by way of parallel to the Recommendations on Accounting Principles. He said that this possibility would need to be examined very carefully and that the preparation of such documents must inevitably take a considerable time but he hoped it would prove possible to render assistance to members in that way. We have made a good deal of



progress since then and it is my hope and belief that before long the Council will be able to begin to issue a series of statements on auditing. I am confident that the issue of such a series could result in progress in auditing standards no less spectacular than the progress in standards of company accounting which were brought about by the Council's decision nearly twenty years ago to issue the Recommendations on Accounting Principles.

**Building societies.** Meanwhile the Council has already issued a curtain-raiser on auditing. Last December we issued a booklet entitled *Audits of Building Societies* for the guidance of members who act as auditors of building societies. It is available to any member who cares to apply for it. This document was thought to be necessary in view of the fundamental changes brought about by the Building Societies Act, 1960, in relation to the accounts and audit of building societies. I have reason to believe that those members who act as auditors of building societies have found the Council's booklet very helpful indeed and I would recommend other members to read it because much of what the Council has said about audit procedures is in principle applicable over a much wider field than building societies.

I must refrain from the temptation to comment on all the matters referred to in the annual report but I will mention just two of the Council's activities which we hope will enhance the accountancy profession in the public esteem and thereby benefit the members of the Institute.

**Company law.** First, there is the evidence submitted by the Council to the Jenkins Committee in which, among a great many suggestions, the Council has asked that the provisions relating to qualification for appointment as auditor should apply to exempt private companies. It is a great pity that this was not done in the 1948 Act. Parliament then feared that there would not be enough qualified practitioners to cope with the very large number of exempt private companies. There cannot now be the slightest doubt that that was an entirely mistaken view. I believe it can be demonstrated that the overwhelming majority of exempt private companies already have auditors who are members of recognized bodies and it is in the interests of both the public and the profession that the distinction at present made by the Act should be removed.

**Documents issues by companies.** The second matter to which I wish to refer is the successful outcome of the representations which the Council made to the Stock Exchange and the Issuing Houses Association about documents issued to shareholders in connection with 'rights' issues and similar matters. I hope that as a result of these representations it will become the normal practice of companies to include on these documents a reference to professional accountants along with stockbrokers, bankers and solicitors as persons who should be consulted by shareholders if they do not fully understand the documents. Our object in making these representations was not to stimulate a lot of shareholders to run into accountants' offices. We had two points in mind. First, as a matter of principle, the inclusion of a reference to professional accountants was long overdue. Second, as a practical matter, a shareholder's professional accountant will often be the most appropriate person to consult but this may not be realized if there is no indication of it on the document.

## SERVICES TO THE PUBLIC

Many of the matters with which the Council has to deal are of importance not only to the profession itself but also to the public. I would like to remind you of some of the matters of this kind which are recorded in the annual report now before you.

**Trustee investments.** The Council is taking an active interest in the Trustee Investments Bill. This Bill stems from the comments made about the range of trustee investments by the Nathan Committee on Charitable Trusts in its report published as long ago as 1952; and those comments were virtually identical with those made by the Council in the memorandum which it submitted to the Nathan Committee early in 1951. In that memorandum the Council referred in some detail to the shortcomings of the existing range of trustee investments and expressed the opinion that the safety of trust funds would be increased by an extension of the range so as to include, with certain safeguards, equity stocks and shares of quoted companies. The Council pointed out that such investments contain the possibility of growth and that as they represent the right to a share in profits and assets they are ultimately associated with real values and not with money values. Perhaps I can fairly mention that the Council's own investment policy has fully justified that view. When the Trustee Investments Bill becomes law many chartered accountants will be called upon by trustees to advise them about their investments.

**Decimal currency.** The Council has taken the view that it is not in the interests of the economy of the United Kingdom that there should be any further delay in deciding whether our currency should be decimalized. The Council's memorandum to the Chancellor of the Exchequer on this subject has attracted widespread attention in the Press. The view taken by the Council is that decimalization of the currency should be officially adopted in principle and widely announced for introduction at a specified date, being the earliest date consistent with an adequate preparatory period. The Council has also expressed the view that the most appropriate basis would be the 'ten shilling/cent'. The precise basis is, however, of less importance than the urgent need to take the decision in principle.

**Company law.** A large number of proposals has been made by the Council in its two memoranda to the Company Law Committee. The Council was, however, careful to state that it would be incorrect to assume from the length of its memoranda that the Companies Act, 1948, has proved substantially inadequate. The 1948 Act brought into operation many major reforms and it has worked well in practice. Nevertheless, there are some respects in which major reforms are now required on matters which have assumed prominence since the 1948 Act was drawn up. These include the need to tighten the law relating to exempt private companies, the need for an investigation (which the Government currently has in hand) to determine what conditions should be satisfied by those who wish to invite the public to deposit money or to make loans, the need for a new Act dealing comprehensively with the whole of the law affecting unit trusts and the need for safeguards to ensure that persons whose shares are the subject of a take-over bid are given sufficient information to enable them to obtain a balanced view of the merits of the bid and to ensure

that the purchase price will be paid. These are all matters which are of direct concern to the public.

**Inland Revenue.** Every year the Council finds a number of taxation matters on which it feels obliged to make representations to the Chancellor of the Exchequer or direct to the Inland Revenue. The Council is scrupulously careful to avoid any special pleading on behalf of particular interests, including those of the members of the Institute. The Council attaches the highest importance to the disinterested nature of its representations on taxation matters and I have no doubt at all that the Board of Inland Revenue well recognizes the value of the Council's independence. This is particularly important in view of the inevitable intrusion of party political considerations into taxation legislation. We do not by any means achieve everything for which we ask but anyone who cares to look carefully at the extensive representations recorded each year in our annual reports will realize that we do achieve some useful results in the public interest. We are particularly hoping for a successful outcome on three matters which we have recently raised: first, the real need, to which we have previously drawn attention, for the issue of an explanatory memorandum with each Finance Bill; second, the need for legislation to counteract the Court decisions which prevent a due apportionment of expenditure consisting partly of repairs and partly of improvements to the fixed assets of a business; third, the need for substantial improvement in the form of assessment notices.

**Building societies.** It was not until the end of 1959 that the Government announced its intention to introduce legislation dealing with building societies. The Council had already recognized the urgent need for fundamental reform of the legislation governing the accounts and audit of building societies and was therefore able to submit to the Chancellor of the Exchequer a comprehensive memorandum within a few days of the Government's announcement. Since then the Council has pursued this subject with great energy and was successful in having substantially all its major proposals incorporated in the Building Societies Act, 1960. It is very satisfying for the Council to have taken this substantial part in the framing of legislation which will be of inestimable value in safeguarding the pockets of the public.

**Friendly societies and industrial and provident societies.** The Building Societies Act, 1960, has for the first time placed the obligation on building societies to prepare accounts which show a true and fair view and the obligation upon auditors to say whether in their opinion the accounts do show a true and fair view. The Council has drawn the attention of the Chancellor of the Exchequer to the desirability of similar amendments to the legislation governing the accounts and audit of friendly societies and industrial and provident societies. It really is time that this legislation was lifted out of its nineteenth-century fog. I am therefore sorry to say that there is no immediate prospect of legislation to deal with these matters. I regard this as most unfortunate and I am sure that the same view will be taken by those members who act as auditors of these societies and are obliged by statute to make an audit report in terms which are thoroughly unsatisfactory and may easily give a false sense of security.

I have so far referred only to services to the public which have been rendered by the Council. The greatest service to the public is of course provided by the membership as a whole. The members of the Institute, whether in practice or in industry or commerce, provide a great range of professional services which are essential to business organizations and to individuals in their personal affairs. Each one of us has a duty to maintain and improve the standard of his services and to uphold the standards of integrity on which our whole position today has been built up. Unless we do this there is no future in the profession. It therefore behoves us to look for warning lights. There is one which is flickering now and I feel obliged to draw attention to it.

Three of the members against whom we had to take disciplinary action last year were members who had given the certificate required under the Solicitors' Act without taking sufficient steps to ensure that the accounts of the solicitors in question did in fact support the statements made in the accountant's certificate. Three is, of course, a very small number out of the Institute's total membership of over 34,000 but it is three too many. I regard it as appalling that even one member of the Institute should fail to carry out an adequate examination of a solicitor's accounts before giving the certificate required under the Solicitors' Act. It is particularly distressing in view of the object of this type of work; the whole purpose of the Solicitors' Accounts Rules is to ensure the proper segregation by solicitors of the money which they hold for their clients. Nor is it very satisfying that such a failure by a member to do his duty properly is necessarily brought to the notice of the Law Society in the course of its own disciplinary proceedings against the solicitor concerned. Indeed it is arising out of those proceedings that our own members' conduct is brought to our notice.

On a more pleasing note I will now end these comments about services to the public by mentioning the extensive public service which is given by individual members by serving on committees and other bodies. In the annual report each year we record appointments of national importance but there are numerous others in local and regional spheres of public service. Duties undertaken in this way are often onerous and time-consuming but I hope and believe that in the interests of both the public and the Institute there will always be members who are ready and willing to make their experience and ability available in this way.

One of the very select company of members whose gallantry has won the Victoria Cross has recently accepted a duty of the highest importance. I refer to the appointment of the Rt. Hon. the Viscount De L'Isle, V.C., P.C., D.L., M.A., F.C.A., as Governor-General of Australia. I am sure that it will be the wish of the members in general meeting that I should send to Lord De L'Isle a message of congratulations and good wishes.

#### TECHNICAL ACTIVITIES •

I have already referred to a good deal of the technical work undertaken by the Council. About eighteen months ago the Council appointed a Technical Activities Committee to review the whole question of our activities in the technical field. That review is still in progress and I cannot forecast what, if any, changes

may result from its report in due course. But I can say with absolute confidence that our activities in this field are bound to expand.

In its technical work the Council has received great assistance from the Taxation and Research Committee which itself has the assistance of the regional Taxation and Research Committees. In this way the Council is able to draw upon a wide field of knowledge and experience and I am happy to express my thanks and those of the Council to these committees for the great volume of work which they do.

### MEMBERSHIP, PRESENT AND FUTURE

There are now over 34,000 members of the Institute. This signifies great strength and great responsibilities. The responsibilities are shared by the individual members and the Council. One of our major responsibilities is to ensure that future members will be well qualified to undertake their duties in the broad range of activities which make up the work of the profession. The first essential is to attract the right kind of students and much attention is given to this by widespread distribution of information booklets and in other ways.

The second essential is to ensure that students receive proper training. This responsibility rests firmly on the individual member, with such broad general guidance as the Council may give. The third essential is to examine candidates at appropriate stages in their training. This responsibility rests on the Council as also does the final duty of deciding whether a successful examinee has had suitable experience and is in other respects fitted for admission to membership.

We must now consider, in the light of the report of the Education and Training Committee, whether the time has come to make significant changes in our educational requirements, our methods of training, our examinations and generally in our whole approach to the task of providing the Institute in the future with the best possible standard of membership. The Council warmly appreciates the work of Mr W. E. Parker, C.B.E., F.C.A., and his committee in producing their comprehensive report, copies of which will be available on Friday, May 5th, 1961. Publication has been authorized by the Council so that it may have the benefit of comments from the district societies and elsewhere before reaching any decisions about the recommendations made in the report. There is plenty of room for controversy and it is therefore important that the report should be widely read and that those who have views to express should express them.

### PUBLIC RELATIONS

For some years the General Purposes Committee of the Council has had a Public Relations Subcommittee. In the world of today, however, there is a continually widening field in which public relations are important to the Institute and accordingly the Council has recently appointed a Public Relations Committee as a standing committee of the Council. Spectacular results must not be expected. To a large extent the new committee will be concerned with public relations work which is already part of our normal procedure; but the whole of this work will now be co-ordinated and directed by the new committee which is also exploring various other possibilities.

### REGISTRATION

In view of recent correspondence in the accountancy press it seems necessary for me to deal with the subject of registration. Much of what is said on this subject appears to be based on the assumption that a registration measure would be for the protection of qualified accountants. In fact, of course, Parliament would never contemplate passing a registration measure except on the basis that it is necessary for the protection of the public. In my view, chartered accountants would stand to lose rather than to gain from a registration measure but in the public interest we were fully prepared to accept that position when we took a leading part in the formulation of the Public Accountants Bill of 1946.

It is now eleven years since the Public Accountants Bill of 1946 was abandoned. This was brought about by two developments which invalidated the basis on which the Bill had been drawn. These developments were the coming into operation of the Companies Act, 1948, and the emergence of difficulties regarding the terms of the Bill. The 1948 Act introduced for the first time provisions relating to qualification for appointment as auditor and their effects were in certain ways at variance with the basis on which the 1946 Bill had been carefully framed. The difficulties, some of real substance, which arose on the Bill itself emerged in discussions between the Board of Trade and other interested Government departments and it would have been necessary to make fundamental changes in the draft Bill.

After the abandonment of the Bill further strenuous efforts were made by the recognized bodies in conjunction with the Board of Trade with the object of preparing a simpler form of legislation. Unfortunately these efforts were unsuccessful because it was quite impracticable to arrive at any statutory definition of 'accountancy' which would be generally acceptable bearing in mind the number of people who, though not capable of being brought within a registration measure, nevertheless undertake work of a kind done by practising accountants. For example, taxation work has been done for many years by solicitors, estate agents, retired Inland Revenue officials, banks and others and there is no possibility of Parliament depriving them of the freedom to do taxation work merely because accountants regard themselves as the most competent persons to perform such work.

We in the United Kingdom are, of course, not alone in having failed to find a solution to this problem. In countries where the profession is governed by statute the law does not, so far as I am aware, convey any monopoly on the profession in regard to taxation work. In fact it is doubtful whether there is any country in which the accountancy profession, whether governed by statute or not, has succeeded in establishing the position it holds in the United Kingdom in relation to taxation.

The conclusion which the Council reached some years ago, after ten years' work in conjunction with the other recognized bodies, was that it was not possible to introduce a registration measure which would be of benefit to the public and satisfactory to the profession. Those who worked so hard were very disappointed to have to admit defeat; but defeated they were in spite of their efforts and enthusiasm. In this presidential address to the annual meeting in 1953 Sir Thomas Robson said that if some practical proposal for a new

solution were to become available we should be happy to co-operate with the other recognized bodies in examining it; but he said that he felt bound to emphasize that some new element would be necessary and that merely to retread ground which had already been so thoroughly explored would not serve a useful purpose. The Council's attitude is precisely the same today.

There are, however, other lines of approach which may well achieve for the public and the profession far better results than could ever come out of a registration measure. As long ago as 1952 the recognized bodies made representations to the Board of Trade for an extension of Section 161 of the Companies Act, 1948, so that exempt private companies would be subject to the same provisions as other companies in relation to the qualification of their auditors. There was, however, little possibility of anything being done except as part of a general revision of the Companies Act. We have now made similar representations to the Jenkins Committee.

When that has been done we can usefully turn our attention to Section 52 (4) of the Income Tax Act, 1952, under which, on an appeal, the General Commissioners must hear any accountant; for this purpose 'accountant' is defined as 'any person who has been admitted a member of an incorporated society of accountants'. This provision was first introduced in 1903 and led to the formation of a number of bodies of which membership could be obtained on payment of a subscription. The formation of such bodies still continues. The useless definition in Section 52 (4) is clearly in need of amendment and the obvious amendment is to define an accountant as a person qualified for appointment as auditor under Section 161 of the Companies Act, or rather its successor under new company legislation. If there were such a definition for tax appeal purposes then I feel sure that the Board of Inland Revenue would be entirely justified in instructing Inspectors that where business profits are involved they should decline to accept accounts prepared or audited for the taxpayer by a person who is not qualified to appear as an accountant on appeal.

If these reforms of company and tax law and practice can be achieved (and it is very much in the public interest that they should be achieved) this would solve, for all practical purposes, most of the problems without the disadvantages and cumbersome machinery of registration.

Even under the draft registration Bills to which so much enthusiastic care was devoted there were obvious dangers for both the profession and the public. The introduction of a statutory description such as 'registered accountant' would elevate in status, to the detriment of chartered accountants, all those with inferior or no qualifications who would inevitably be brought under the umbrella. I wonder how many people know what professional qualifications are held by their own doctors and dentists. My guess is that very few of them have the slightest idea and I am sure that the same position would soon exist if the accountancy profession were brought under statutory control. Clients would know that any accountant who is in lawful practice is a registered accountant and they would soon cease to care whether or not he is a chartered accountant.

There seems to be a mistaken impression that there are other professions which are completely closed in the sense that none of their work can be done by unregistered persons. Solicitors and doctors are often mentioned in this context. Yet there is much of the work of a solicitor which may lawfully be done by other persons, for example, anyone may draw up a will; and in the medical field it is surprising how many things, except the issue of a death certificate, may be done by an unregistered practitioner. I hope no one will assume that I am inciting unqualified persons to encroach upon the work of solicitors and doctors. I merely wish to remove what seems to be a common misapprehension on the part of those who advocate registration for accountants.

I hope I have said enough to satisfy you that registration is not likely to be of benefit to either the public or the profession and that instead we shall be wise to pursue other means, in particular amendment of company and tax law, by which the public can be protected and the position of the profession can be substantially improved.

May I emphasize that the Council shares with all members their strong disapproval of the activities of unqualified accountants, who advertise their services. This is bad for the profession and bad for the public. It is a highly distasteful situation on all counts. I have, however, given some explanation of the difficulties. It is difficult to see in what way the public could be protected by giving, for certain types of professional work, a statutory status to a large number of unqualified persons and at the same time leaving entirely open to anyone a large area of the work which chartered accountants now do. Please make no mistake about it; that is what registration would mean.

### INSTITUTE FINANCE

Our income and expenditure account for 1960 shows an excess of income over expenditure amounting to nearly £25,000 and our balance sheet shows that our accumulated fund has increased by a similar amount, raising the total to £301,000. This figure of course takes no account of the unrealized appreciation of over £100,000 in the value of our investments nor does it take account of the appreciation in the value of our freehold hall and offices. I must, however, sound a note of warning. Our present building is entirely inadequate for our present needs, let alone the needs of future generations. I cannot at present give any details of our development plans but they are under active and urgent consideration and negotiation and I hope that it will be possible to make an announcement during the present year. It is a problem of some magnitude for which a large amount of money will be required. Because of this and the expansion which must take place in the scope and extent of the Institute's activities, it will not be possible over the next few years to avoid income deficits unless we take steps to increase our income.

### NEXT YEAR'S ANNUAL MEETING

By way of experiment the Council has decided to arrange next year an entirely new form of annual meeting. Detailed plans have not yet been drawn up but what we have in mind is to occupy a whole day with group discussions in addition to the annual meeting

and end in the evening with a reception and dance or other suitable social activity. The Council hopes that arrangements of this kind will appeal to a large number of members, including many from the provinces. Full details will be announced well in advance of the 1962 meeting.

### SOME ECONOMIC ISSUES

The state of the national economy is of especial interest to the chartered accountant. The fortunes of his clients are dependent upon the level of economic activity and often the accountant is expected to advise clients on the economic prospects. The current economic situation is serious. Our immediate difficulties arise from the state of Britain's external trade. According to the White Paper on the Balance of Payments there is a deficit on current account for the year 1960 of £344 million, the worst results since 1951. The full magnitude of this deficiency may be better appreciated when it is borne in mind that if Britain is to maintain her present scale of overseas investment and at the same time increase her gold and dollar reserves to withstand any fluctuations in the trade balance, then an annual surplus on our current balance of payments of nearly £500 million is needed. This can only be achieved by expanding exports, yet over the past decade Britain's share of world trade has declined continuously from 22 to 18 per cent. Over half of British exports since the war have gone to the sterling area and there has been a tendency in this country to assume that British goods would find it easier to compete in the Commonwealth than elsewhere in the world. This belief is only partially true and competition in these markets has been increasing. Between 1954 and 1960 Britain's share in the sterling area's overseas trade fell from 61 to 46 per cent. In contrast, the United States share rose from 13 to 17 per cent and the Common Market's share increased more than five points to 23.5 per cent.

The key to economic progress and our capacity to compete effectively in the world markets is an adequate level of investment in capital equipment in the United Kingdom. In the past it has been suggested that Britain's investment programme was straining our resources and contributing to our balance of payments difficulties. There is little evidence to support this thesis; in fact, Britain's investment record compares unfavourably with the achievements of her competitors. The United Nations World Economic Survey for 1959 reveals that during the period 1950-58 Britain devoted 9.9 per cent of her national produce to productive investment compared with nearly 17 per cent in Japan and 13 per cent in Western Germany. The recent Board of Trade inquiry reveals a heartening improvement in this respect; in real terms, 50 per cent more was invested in 1959 than in 1950. It cannot be doubted, however, that the inadequate investment policy has not only been a major factor in Britain's disappointing export performance, but is one of the main reasons why Britain's rate of economic growth is slower than that of any other major European country. According to the above United Nations report, the annual rate of growth between 1950-58 in Western Germany was 7.4 per cent; it was 7.9 per cent in Japan and 5.5 per cent in Italy. The comparable figure for the United Kingdom was only 2.2 per cent.

### The Government's Role

Confronted with these two interrelated problems - the continuously declining share of world trade accounted

for by British exporters and the slow rate of economic growth - it is natural to inquire in what way the Government can help. It must of course assist British exporters by negotiating trade treaties and eliminating discriminatory practices against British goods in overseas markets. Furthermore, it must create stable conditions at home which are conducive to economic efficiency. Under the first of these requirements, the problem of Europe's division between the six and the seven (or is it now the seven and the eight?) is outstanding. The failure so far to achieve a *rapprochement* between the European Economic Community and the European Free Trade Area could affect adversely the future of our export trade. Every month that passes without agreement strengthens the special interests within each of these groupings and makes ultimate agreement progressively more difficult. In any case, by delaying Britain's entry profitable opportunities may be forgone. In the last three years the inflow of American capital into the E.E.C. member countries, in particular Germany, has greatly increased. Much of the American capital would probably have come to Britain if the United Kingdom had been a member of the Common Market. Britain's relative share of United States overseas investment will contract still further in the future unless the present impasse is overcome. It is for the Government to decide whether the ultimate price to be paid in consequence of Britain's continued exclusion from the world's most rapidly expanding market may not be even greater than the price required for immediate entry. An early declaration of policy on this problem is urgent. Any decision would be preferable to the present state of uncertainty.

Even in the emergent and under-developed countries where the inflow of British investment capital has in the past ensured a corresponding demand for our exports, changes are taking place. Many of these countries expect their aid without strings and we can no longer assume that old loyalties will guarantee preferential treatment for British products. In view of the increasingly important role played in world economic development by international organizations such as the World Bank, it is pertinent to observe that the small numbers of British staff within those organizations is regrettable.

The gravity of Britain's external position is underlined by the recent discussion as to the desirability or otherwise of devaluing sterling. Such a move, argue its protagonists, would give the British economy a breathing space in which to develop new policies and enable us to make the economy more flexible. On the other hand it would at the same time virtually destroy sterling as an international currency. It is far from certain that any such breathing space would be effectively utilized; in any case it is difficult to see how it would contribute to resolving in relation to our export trade the fundamental requirements of sales presentation, price, quality and appearance, as well as delivery dates. And these, in the last resort, are dependent upon adequate incentives as well as the attitude of mind of all sections of industry to their particular tasks. More pertinent to the furthering of British exports is the development of our system of export credits. The Government is clearly concerned that British exporters of capital goods shall not be handicapped in this respect, judging by the recent steps taken to facilitate the finance of large projects for periods over five years, quite apart from the changes in the E.C.G.D. insur-



ance scheme, designed to help the smaller exporter. Nevertheless the Chancellor himself has warned of the dangers of this country finding itself caught up in a race to give longer and longer credits on non-commercial terms and it is to be hoped that before long a reaffirmation of the principles underlying the Berne agreement will be made by the leading exporters. The consequences of an internecine credit war between exporters of capital goods in different countries are obvious. Yet it cannot be sufficiently stressed that however favourable the credit terms offered, they will not offset an inferior product offered at high prices.

### Management's Role

Successful exporting is essentially the task of industry and not of the Government. The key to successful selling – whether at home or overseas – is the production of the right article at the price the consumer is prepared to pay. British industry has been criticized in the past for its failure to study foreign markets. It is not enough to try to sell overseas merely those goods which the British market cannot absorb. The home consumer's requirements are not necessarily the same as those of foreign buyers and local inquiries regarding tastes and requirements are essential. Overseas markets require intensive study and local contacts, however reliable, should be supplemented by regular visits to find out at first hand what is happening. The consideration that prices should be competitive is more often recognized than is the need for distinctive styling of a product for the local market, and the same is true of after-sales service in respect of capital equipment or certain types of consumer goods. Given that these basic requirements are met, then it is up to the sales representatives to push their goods in the market. Unfortunately, here, too, there has been much criticism of British methods; apparently post-war years of easy selling have not proved an ideal training ground for the new competitive world markets. For his part the manufacturer must give his sales representatives every support by keeping to the quoted price and the promised delivery dates. Even today, foreign buyers have lively recollections of post-war failures by British producers to meet their contracted delivery dates. The only way to obliterate these unfavourable impressions is through regular contact with local customers to advise them that the goods are now available and the adoption of a policy to ensure that delivery dates once promised will be kept; either by forward planning in the factory or by carrying adequate stocks in the more distant markets. Some firms are doing all these things and have been successful. The fact is, however, that manufacturers in other countries have taken these lessons to heart. They are making determined efforts and have succeeded in increasing their trade by producing special goods for overseas markets or by adapting the domestic product to foreign needs. British industry as a whole must do the same.

While competition within industries is a stimulus to efficiency, there is surely scope for some forms of co-operation between firms, particularly those actively seeking export trade. Much more could be done in the field of exchanging information between firms in the same industry; for example, there could be joint market surveys into overseas markets and possibly the collection through some central agency of basic production costs and production times so that individual firms might compare their relative performance. The

same is true in the field of research upon which many industries are spending lavishly. Scientific man-power is in short supply, but can it be confidently asserted that every scientist in Britain is being effectively used at the present time? How many identical avenues of inquiry are being followed by research workers in different firms within the same industry at the same time? Possibly such wasteful duplication of effort could be avoided by centralized research in certain basic fields of inquiry; at any rate it is worthy of consideration.

The potential value of co-operative effort in the obtaining of export orders cannot be ignored. Every duplication of expenditure on research and development means an addition to the contract price. There have been many cases of substantial export orders being achieved by the combined efforts of two or more firms. Is there not a case for inquiring whether, for certain types of large-scale and costly capital equipment, tenders for foreign contracts could be worked out between the handful of interested domestic producers? Competition from foreign firms for large-scale overseas contracts is already intensive and profit margins slender enough without British manufacturers further cutting each other's prices. Industries faced with excess capacity, monopoly buyers in the home market, restrictive labour practices and the Restrictive Practices Act – which makes co-ordination of their pricing policies difficult – might well consider co-ordinating their research and overseas selling.

I do suggest, however, that if level prices are quoted, there should be only one British tender submitted setting out the alternative designs and delivery dates. This would go some way towards eliminating criticism that tenders from several manufacturers at the same price are objectionable and dishonest.

### The Accountant's Role

It is for the accountancy profession to ensure that the manufacturer is provided with sufficient information to enable him to judge what capacity he can devote to export orders and to what extent, in tendering for overseas contracts, he can cut his profit margin and still make it worth his while to take on the work.

There is evidence that the effect of 'activity' is little understood by those responsible for fixing, advising on, or criticizing selling prices or the valuation of work in progress. Costs which are high because they are based on abnormally low 'activity' cannot reasonably be expected to be recovered in selling prices and ought not to be carried forward in work in progress.

The intensity of competition in world markets is tending to reduce profit margins and it is a matter for concern – both for the firms involved as well as the national economy – that firms which are producing both for domestic and foreign markets are not always fully aware of the relevant costs incurred on particular contracts. No industry can survive if profit margins on all goods or contracts at home and abroad are cut to the bone; successful tendering for overseas contracts – particularly for large-scale capital equipment – depends on the existence of a reasonably profitable home market. It is not uncommon for a firm to undertake a contract which will yield a lower profit margin than is customary, or when part of the firm's capacity is slack, the management will welcome a contract which will just cover prime and variable overhead costs. At other times the contract price will also cover



of the Institute); Mr Harry Hodgson, F.C.A., F.C.W.A. (a member of the Council of the Institute); Mr C. E. Power, F.C.A., F.C.W.A. (a member of the Council of the Institute); Sir Jeremy Raisman, G.C.M.G., G.C.I.E., K.C.S.I. (deputy chairman, Lloyds Bank Ltd); Mr F. W. H. Saunders, F.C.W.A. (a Past President of the Institute); Mr Geoffrey Stevens, F.C.A., M.P.; Mr George Woodcock, C.B.E. (General Secretary, Trades Union Congress); and Mr Derek du Pré (Secretary of the Institute).

### PROFESSIONAL NOTICES

MESSRS DAVID CLAYTON & Co, Chartered Accountants, of 18 St George Street, Hanover Square, London, W1, announce that as from May 1st, 1961, they have taken into partnership Mr A. D. STARK, A.C.A. The name of the firm will remain unchanged.

MESSRS BERNARD GOODWIN & Co, Chartered Accountants, of 111 Moorgate, London, EC2, and MESSRS ALAN MASSING & Co, Chartered Accountants, of 43 Whitcomb Street, London, WC2, announce that on May 1st, 1961, they amalgamated their respective practices and are now in practice under the style of GOODWIN, MASSING & Co, Chartered Accountants, 70 Finsbury Pavement, Moorgate, London, EC2, Telephone: Monarch 0525/6/7.

MESSRS B. T. DAVIS & Co, Chartered Accountants, of Lombard House, Great Charles Street, Birmingham, 3, announce that Mr R. F. NAYLOR, F.C.A. a partner in the associated firm of JETHRO KENT & SON, Chartered Accountants, 122 Colmore Row, Birmingham, 3, and Mr G. E. COLLINS, A.C.A., have been admitted into partnership as from May 1st, 1961.

MESSRS JETHRO KENT & SON, Chartered Accountants, of 122 Colmore Row, Birmingham, 3, announce that Mr G. E. COLLINS, A.C.A., has been admitted as a partner as from May 1st, 1961.

MESSRS HUBERT LEICESTER & Co, Chartered Accountants, of 14 Pierpoint Street, Worcester, announce with regret the recent death of their senior partner Mr PHILIP LEICESTER. They also announce that as from May 1st, 1961, their practice is amalgamated with that of Mr W. CHARLTON EDWARDS, of 5 Foregate Street, Worcester. The combined practice will be conducted under the style of HUBERT LEICESTER & Co by Messrs WILFRID L. SOLON, F.C.A., and W. CHARLTON EDWARDS, F.C.A.

MESSRS HARVEY PREEN & Co (Incorporating ARTHUR D. SAWARD & Co), Chartered Accountants, announce that as from May 8th, 1961, the address of their London office will be Lawrence House, 3 Trump Street, London, EC2.

MESSRS FREDERICK T. SLADE & SON, Chartered Accountants, of King's Court, 115 Colmore Row, Birmingham, 3, announce that they have admitted into partnership Mr ALLAN AUSTIN, A.C.A., who served his articles with the firm. The style of the firm will remain unchanged.

MESSRS PROCTOR & PROCTOR, Chartered Accountants, of 43 Westgate, Burnley, announce with regret the death on April 20th, 1961, of one of their partners, Mr TOM BANNISTER TAYLOR, F.C.A.

MESSRS WENN, TOWNSEND & Co, Chartered Accountants, of 30 St Giles, Oxford, announce that as from May 1st, 1961, they have taken into partnership Mr S. C. L. ABBOTT, F.C.A.

### Appointments

Mr Alan Fraser Much, F.C.A., has been elected chairman of the Institute of Packaging.

Mr C. S. Elphinstone, F.C.A., has been appointed general manager of the British Egg Marketing Board.

Mr J. H. Whittley, F.C.A., has been appointed a director of Three Hands Ltd and Evan Williams (Holdings) Ltd.

Mr W. E. A. Norman, F.S.A.A., chairman of the Associated Owners of City Properties since 1953, has been elected president of the association.

Mr R. H. Dent, F.C.A., joint managing director of the Cape Asbestos Co Ltd, has been elected deputy-chairman of the company and continues as joint managing director.

Mr A. H. Morland, F.C.A., has been appointed deputy chairman of the South Western Gas Board as from April 30th, 1961.

Mr Guy Robert Camfield, A.C.A., has been elected a member of the Cardiff Stock Exchange.

Mr H. P. Rosling, B.A., F.C.A., has been appointed a director of Anglo-Ceylon and General Estates Co Ltd.

Mr P. J. Cavanna, F.C.A., has been appointed a technical director of Charrington & Co Ltd.

Mr Philip G. Walker, F.C.A., has been appointed a director of Daily Mirror Newspapers Ltd.

Mr S. W. Penwill, F.C.A., has been appointed chairman of Anglo-Eastern Finance Corporation Ltd.

Mr T. B. Bunting, F.C.A., vice-chairman of the Brewers' Society, has been appointed a wholesale trade representative of the central panel of the Brewers' Society and National Consultative Council of the Retail Liquor Trade.

Mr Donald B. Grant, C.A., has been appointed a director and chairman of Elliot Paisley Ltd.

Mr Douglas J. Kean, T.D., F.C.A., has been appointed a director of Mount Magnet Gold Mines Ltd.

Mr Henry Chisholm, B.A., F.C.A., has joined the boards of Reliable Properties Ltd, C.O.P. Investments Ltd, Temperance Billiard Halls Ltd, Capital & Provincial News Theatres Ltd, Victory Real Estate Co Ltd, Honywood Hotels Ltd, and Bignells Ltd.

Mr L. E. H. Williams, D.F.C., A.S.A.A., F.I.M.T.A., has been appointed a deputy general manager of the Co-operative Permanent Building Society.

Mr W. E. Vesey, M.B.E., F.C.A., has been elected president of the British Wood Preserving Association.

Mr H. T. Nicholson, F.C.A., and Mr C. G. Brown, F.C.A., have joined the board of the National Model Dwellings Co Ltd.

Mr R. Ellman Brown, F.C.A., has been appointed vice-chairman of Trinidad Sugar Estates Ltd.

Mr K. McCarthy Reynolds, A.C.A., has been taken into partnership with Messrs E. B. Savory & Co, stockbrokers.



**INVESTIGATION INTO SHIPPING SERVICES****Mr D. V. House appointed Chairman of Inquiry Committee**

Mr Donald V. House, F.C.A., a Past President and a member of the Council of The Institute of Chartered Accountants in England and Wales, and a partner in the firm of Harwood Banner, Lewis & Mounsey, Chartered Accountants, of London and Liverpool, has been appointed by the Minister of Transport as chairman of a committee of inquiry to investigate shipping services between Great Britain and Northern Ireland.

The committee has been set up in response to a request from the Northern Ireland Government and its terms of reference are 'to consider the shipping services for both passengers and freight between Great Britain and Northern Ireland and to report whether they are satisfactory in the following respects: (a) types and frequency of service; (b) standards of service; and (c) reasonableness of charges'.

**SOUTH EASTERN SOCIETY OF CHARTERED ACCOUNTANTS**

Mr A. S. Watson, F.C.A., a partner in the firm of Woolley & Waldron, Chartered Accountants, of Southampton, has been elected President of the South Eastern Society of Chartered Accountants for 1961-62.



Mr A. S. Watson

Articled to Mr T. M. Threlfall, F.C.A., of Nelson, Lancs, Mr Watson was awarded honours in the Final examination of May 1933, in which year he was admitted an Associate of the Institute; he was elected to fellowship in 1954.

He served with Messrs Auliffe, Davis & Hope in Penang, Straits Settlements, from 1934-37, and in 1938 joined the staff of Barton, Mayhew & Co, London. On the outbreak of war in September 1939, he enlisted in the Royal Army Service Corps as a Private and landed in France on September 10th. He was commissioned in the field in February 1940 and later took part in the evacuation from Dunkirk. In 1942 he landed in Algiers with the First Army and was promoted to the rank of Major. After serving in North Africa and Italy he was demobilized in October 1945.

Mr Watson joined the staff of his present firm in April 1946 and was admitted a partner in January 1949, in which year he founded the Southampton and District Chartered Accountants Students' Society. The first Chairman of the Society, he became its President in 1953 and held office until 1960.

He served as honorary treasurer of the South Eastern

Society from 1949 to 1954, and has since been a member of the committee. He became a Vice-President of the Society and Chairman of the Hants and Dorset Branch in 1959.

The other officers elected at the annual meeting were as follows:

*Vice-Presidents:* Mr A. D. Langridge, F.C.A., and Mr R. D. Pearce, F.C.A.

*Hon. Treasurer:* Mr J. H. Mitchener, F.C.A.

*Hon. Secretary:* Mr W. R. McBrien, F.C.A., Messrs Gibbons & Mitchell, 7/8 Wellington Square, Hastings.

*Hon. Auditor:* Mr E. F. L. Sutton, F.C.A.

**Annual Report**

The annual report for 1960, which was presented at the meeting, records a total membership of the Society at January 1st, 1961, of 567 - an increase of twenty members over the year. An area analysis of membership shows that 250 members are resident in Sussex, 177 in Hampshire, eighty-seven in Kent and thirty-eight in Dorset and Wiltshire.

The Hants and Dorset Branch held its first annual general meeting in May 1960 and three further meetings were arranged, one of which incorporated a visit to the works of an engineering company. The Kent and Sussex Branch also held its first annual meeting last May, and other meetings included a whole-day visit to the B.P. oil refinery on the Isle of Grain.

A successful students' residential course was again arranged at Brighton, while social activities included a ladies' night dinner and dance at Maidstone and dinners at *The Hotel Metropole*, Brighton, and *The Royal Beach Hotel*, Southsea.

The local members' groups of both branches of the Society were active during the year and meetings were held at Bournemouth, Portsmouth, Southampton, Brighton, Canterbury, Hastings and Maidstone.

**DOUBLE TAXATION: PAKISTAN**

A double taxation agreement between Pakistan and the United Kingdom was signed in London last week. The agreement relates to taxes on income and is expressed to take effect in the United Kingdom from April 6th, 1960, the date on which the previous agreement signed on June 10th, 1955, ceased to have effect. Before the agreement can take effect in the United Kingdom it will require the approval of the House of Commons.

**NOTES ON CHARITABLE TRUSTS**

A useful booklet entitled *Notes on Charitable Trusts* has recently been issued by the Churches Main Committee. Designed to serve as a guide to the Charities Act, 1960, the booklet summarizes the rights and duties of trustees for religious purposes under the Act.

Copies of the booklet are obtainable from the Churches Main Committee, 2 Great Peter Street, London, SW1, price 1s.

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**CITY CHARTERED ACCOUNTANTS'  
DISCUSSION GROUP**

The next meeting of the City Discussion Group will be held on May 10th, at *The Tiger Tavern*, 1 Tower Hill, London, EC3, at 6 p.m. for 6.30 p.m. The topic for discussion will be Budget resolutions, introduced by Mr B. C. Dixie, F.C.A.

**THE DUBLIN SOCIETY OF CHARTERED  
ACCOUNTANTS**

At a recent meeting of The Dublin Society of Chartered Accountants, the guest speaker, Mr W. E. Parker, C.B.E., F.C.A., of Price Waterhouse & Co, of London, spoke on the subject 'Fraud and the auditor'. A large number of members was present to hear Mr Parker's address which was enlivened by an interesting account of some famous frauds of the past.

Mr Parker described how the concept of the auditor's responsibility for fraud had altered in recent years. In many ways the auditor's responsibility for fraud was considered to have been lessened but there were exceptions to this, notably verification of stock-in-trade, and Mr Parker discussed current practice in this connection in the United States and in American companies in the United Kingdom.

Mr Parker afterwards dealt with questions, and an interesting diversity of views was revealed. A vote of thanks to the visiting speaker was proposed by the Chairman of the Society, Mr Leslie Chance, F.C.A., who recalled many pleasurable associations with Mr Parker, as they had been articled clerks together.

**UNION OF CHARTERED ACCOUNTANT  
STUDENTS' SOCIETIES**

Members of students' societies are reminded that all students' societies welcome to their meetings members of other societies who are temporarily in their area.

There is also an arrangement for transfer of membership without additional fee for members who permanently change their district. The interchange should be carried out through the secretaries of the societies concerned.

Students' societies hold meetings in the following towns:

Ashford (Kent), Bedford, Birmingham, Blackpool, Bournemouth, Bradford, Brighton, Bristol, Cambridge, Canterbury, Cardiff, Carlisle, Chelmsford, Chester, Colchester, Coventry, Derby, Doncaster, Dorking, Eastbourne, Epsom, Exeter, Grimsby, Guildford, Hastings, Hereford, Hull, Ilford, Ipswich, Leeds, Leicester, Lincoln, Liverpool, London, Luton, Maidstone, Manchester, Newcastle upon Tyne, Newport (I.W.), Northampton, Norwich, Nottingham, Oxford, Plymouth, Portsmouth, Preston, Reading, Redhill, Sheffield, Southampton, Stockton-on-Tees, Stoke-on-Trent, Southend, Sunderland, Swansea, Taunton, Torquay, Truro, Wolverhampton, Worcester, Workington, York.

**PROFITABLE USES OF CAPITAL**

A one-day conference on 'Profitable uses of capital', organized by the British Institute of Management, is to be held at the Connaught Rooms, Great Queen Street, London, WC2, on May 30th.

The conference, which will be under the chairmanship of Sir Joseph Latham, C.B.E., F.C.A., financial director, Associated Electrical Industries Ltd, is designed for directors, accountants and senior managers and should be of particular interest to those engaged in expansion projects.

Sir Frank Lee, G.C.M.G., K.C.B., joint permanent secretary to the Treasury, will open the conference and addresses will be given on 'Planning capital expenditure', by Mr F. C. de Paula, T.D., F.C.A., F.C.W.A.; 'Controlling capital expenditure', by Mr F. J. Young, C.A., F.C.W.A., financial director and secretary, The Steel Company of Wales Ltd; 'Return on capital employed', by Mr A. T. Oram, F.C.A., The British Oxygen Co Ltd; and 'Diversification or concentration', by Mr J. E. Wall, O.B.E., managing director, Electric and Musical Industries Ltd. Further details regarding the conference are obtainable from the British Institute of Management, 80 Fetter Lane, London, EC4.

**OFFICIAL RECEIVER APPOINTMENTS**

The Board of Trade have announced that Mr F. M. Collins, C.B.E., Senior Official Receiver in the Companies (Winding-up) Department, will retire on May 4th, 1961, and that Mr G. F. Morris, Senior Official Receiver in the Bankruptcy (High Court) Department, will succeed him as from May 5th, 1961. From the same date also Mr A. A. Walter, Official Receiver in the Bankruptcy (High Court) Department, will succeed Mr Morris; Mr E. C. Sherwood, Chief Clerk in Bankruptcy, will succeed Mr Walter and Mr R. F. Howe, Inspector of Official Receivers, will succeed Mr Sherwood.

They also announce that Mr A. F. Tims, O.B.E., Principal Examiner, Companies Inspection Branch, will retire on May 31st, 1961, and that Mr H. C. Gill, Assistant Official Receiver in the Companies (Winding-up) Department, will succeed Mr Tims with effect from June 1st, 1961.

**O.E.E.C. ECONOMIC SURVEY**

A booklet in the series dealing with economic conditions in member and associated countries of the Organization for European Economic Co-operation contains a comprehensive analysis of economic conditions in the Republic of Ireland. The booklet is available from H.M. Stationery Office; price 3s.

**THE ASSOCIATION OF SUPERANNUATION  
AND PENSION FUNDS**

The Council of The Association of Superannuation and Pension Funds has decided that a meeting should

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be held of those participating in the Association's Investment Co-operation Service in order to give members an opportunity of discussing the future operation of the Service. The meeting will be held at 11 a.m. on May 9th at Caxton Hall, Caxton Street, London, SW1, and all members are invited to the meeting whether or not they participate in the Investment Co-operation Service. The thirty-ninth annual general meeting of the Association will be held at 2.30 p.m., at Caxton Hall, on the same day.

### LOCAL GOVERNMENT SERVICES

Two statistical returns for 1959-60 giving details of local government services relating to library statistics and crematoria statistics have been issued recently by The Institute of Municipal Treasurers and Accountants.<sup>1</sup>

The third annual return of library statistics which previously contained statistics of all county boroughs, has now been extended to include those of Metropolitan Boroughs and the City of London Corporation. The booklet includes general statistics for each authority and analyses of library revenue accounts expressed as amounts per 1,000 population.

The fourth return of crematoria statistics contains statistics of local authority crematorium undertakings in Great Britain. The booklet covers the figures of ninety-seven undertakings, an increase of eight over the last return for the preceding year. The return is in two parts, the first containing general statistics, capital costs and fees, the second, revenue accounts and undertakings.

### SCOTTISH MANAGEMENT CONFERENCE

'Management for exports' was the theme of the 1961 Scottish Conference of the British Institute of Management held at Gleneagles recently.

The director of the European Productivity Agency, Monsieur R. Gregoire, opened the conference with a paper on 'Management training in a changing world'. This was followed by informal discussion groups when delegates had the opportunity of examining in detail such topics as education and training for export management, finance and credit facilities, the need for market research and the relation between home and export sales. Mr H. Hjorth-Nielson, the Consul-General for Denmark, considered 'The problems of economic co-operation in Western Europe', and in another paper Mr J. E. V. Tyzack, C.B.E., Chairman, John Tyzack & Partners Ltd, discussed 'Exports -

<sup>1</sup> *Libraries Statistics 1959-60, Crematoria Statistics 1959-60*. Each 10s 6d, post free. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, SW1.

vocation or profession'. Sir James R. H. Hutchinson, Bt., D.S.O., T.D., J.P., President of the Association of British Chambers of Commerce, in his address at the closing dinner of the conference, examined the whole field of management for exports.

### CONFERENCE ON CLERICAL WORKERS

A two-day conference under the title 'Office staffing and clerical salaries - looking ahead' is to be held on May 9th and 10th at *The Kensington Palace Hotel*, London, W8.

Organized jointly by The Institute of Office Management, the National Institute of Economic and Social Research and the Institute of Personnel Management, there will be addresses dealing with the current pay structure, demand and supply of clerical workers, and a panel discussion on the future and status of the clerical worker. Further details regarding the conference are obtainable from the Conference Secretary, Institute of Personnel Management, 80 Fetter Lane, London, EC4.

### ROYAL SOCIETY OF ARTS

'The future pattern of university education in the United Kingdom', will be the subject of a paper to be presented by Mr J. S. Fulton, M.A., Principal, University College, Sussex, at the Royal Society of Arts on May 10th. Professor R. O. Buchanan, M.A., B.Sc., PH.D., chairman, Academic Council, University of London, will preside at the meeting, which will commence at 6 p.m.

Application for tickets of admission should be addressed to the Secretary, Royal Society of Arts, John Adam Street, London, WC2.

### ANNOTATED TAX CASES

Part 7 - the concluding part - of Volume XXXIX of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports, with notes on the judgments, of the following cases: *Philipson-Stow (No. 2) v. C.I.R. (H.L.)*; *Imperial Chemical Industries Ltd v. Caro (C.A.)*; *C.I.R. v. Bernstein (C.A.)*; *Wilkins v. Rogerson (C.A.)*; *C.I.R. v. Lithgow Ltd (C.S.)*; *Henry Briggs, Son & Co Ltd v. C.I.R. (H.L.)*; *Grosvenor Place Estates Ltd v. Roberts (C.A.)*; *Jenkinson v. Freedland (Ch.D.)*; *Forest Side Properties (Chingford) Ltd v. Pearce (Ch.D.)*; *Crossland v. Hawkins (Ch.D.)*; *Brown v. Bullock (Ch.D.)*. The index of cases and subject-matter for the volume will be published shortly, after which the volume may be bound.

The annual subscription is 50s post free and the publishers are Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.

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## The President's Warning

THE current picture of the United Kingdom economy sketched by THE PRESIDENT OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES in his address - reproduced in our last issue - for the recent annual meeting of the Institute is perceptive and very much to the point. The present dangers, as MR PEARS sees them, stem from the interrelated facts that Britain's investment policy lacks the necessary drive and direction to ensure sufficient economic expansion and that the country's share of world trade is continuously on the decline. The consequences are clearly reflected in the recent White Paper on the balance of payments which states that the 1960 deficit on current account was £344 million, the worst result for ten years.

The PRESIDENT suggests three sources from which remedies might spring. The first of these is the Government who, still tacking uneasily between the Scylla and Charybdis of the European Free Trade Area and the European Economic Community, should do something positive to assist exporters and to protect British goods against discriminatory practices in overseas markets. The second source is industrial management who should make a specific study of the requirements of foreign customers, invariably deliver the goods on time and co-operate with other concerns in pooling research and export selling services. The third source is the accountancy profession, and MR PEARS calls for a more dynamic approach by all its members to the commercial problems of industry.

Leaving, in the main, the implementation of the first two of these three remedies to the politicians and to those in control of industrial enterprises, large and small, the responsibility for seeing that the accountancy profession uses its extra skill and knowledge to the best advantage must be shouldered by everyone whether in practice and advising business clients or employed in industry and assisting his company. There is no level in the ranks of the profession which should not take its fair share and if anyone doubts either the cogency or urgency of MR PEARS's warning, let him refer back to the report of the management accounting team which visited the United States under the auspices of the former Anglo-American Council on Productivity in 1950. Here is stressed, in terms as topical today as they were ten years ago, the need for accountants everywhere to familiarize themselves with the problems of management and the technical processes of industry so that they may produce up-to-the-minute information which will serve both to control costs and production and to guide future policy.



## Finance Bill Reactions

**M**OVING the second reading of the Finance Bill, THE CHANCELLOR OF THE EXCHEQUER went through the Bill practically clause by clause to explain some of its provisions. On the proposed new duty on television advertising he commented that this would become one of the programme companies' costs of operation which, together with their other costs, they would recoup from advertisers to such extent as the balance of supply and demand for advertising time might allow. One member was quick to take this a step further and point out that, in the end, the burden would probably be borne by the consumer of the advertised goods – whether he saw the advertisements or not. MR HAROLD WILSON approved the tax as a step in the right direction; he compared the total expenditure on advertising, £454 million, with £136 million spent on research. Although much advertising is certainly beneficial, a great deal of it, particularly the expensive and elaborate schemes associated with synthetic detergents, is largely self-cancelling.

During the coal shortage in 1947 the duty on heavy oils (other than oil used as road vehicle fuel) was withdrawn to encourage the use of such oils. Clause 2 of the Bill imposes a duty of 2d a gallon on heavy oils previously free of duty, i.e. fuel oil, gas oil and paraffin (or kerosene). Lubricating and other oils, already charged a penny a gallon, pay 3d under clause 2 (1). THE CHANCELLOR told the House of Commons he knew that this change would be unpopular, and would bear more heavily on some industries than others. However, over the whole field the burden meant only a fraction of 1 per cent increase in costs. A Conservative member complained that horticulturists, having been encouraged by the State to install expensive oil-burning heating apparatus, now faced increases in costs of the order of £320 an acre. MR WILSON, for the Opposition, welcomed the tax as encouraging the use of home-produced fuel, but deprecated the taxing of kerosene, as a burden on the poorer members of the community who used it for light and heat. The Opposition would like to see the yield from the tax devoted

to the abolition of duty on diesel oil used for passenger road transport. Clause 2 (2) provides for payment of duty in certain circumstances on oil which has already been released from bond, i.e. where oil is stored on a site with a capacity of 200,000 gallons or more. The remainder of the clause contains elaborate provision for collecting the duty from the occupiers of these storage sites. THE FINANCIAL SECRETARY TO THE TREASURY denied that this meant retrospection. He said it would be completely inequitable to treat oils differently according as to whether or not they were in bond on Budget day. This seems to be a new and somewhat dangerous doctrine. It also seems to be inequitable as between those who had oil in a 200,000 gallon storage, and those who had it in a 199,000 gallon storage.

THE CHANCELLOR confirmed that the amendment made by clause 3 in the definition of bets for the purpose of pool betting duty was in consequence of the High Court decision in the Stockport County Football case (*Commissioners of Customs and Excise v. Dodd*), to which we referred in a leading article in our issue of April 22nd and reported in our issue of December 17th last. THE CHANCELLOR said clause 3 tried to draw as clear a line as possible between competitions liable to pool betting duty and those which are lotteries, lawful or unlawful. Pool betting is at present unlawful in the Isle of Man, but it is proposed to legalize it. If it were legal there, and there were no duty on it, some pool betting business might be transferred there, with consequent loss to the Exchequer. Clause 4 embodies a decision reached between the authorities concerned. The island will impose the duty, and the total receipts will be shared under the so-called 'common purse' arrangements between the two territories.

Clause 7, which provides that a vehicle having two front wheels less than eighteen inches apart is to be treated as three-wheeled for the purposes of Section 13 of the Finance Act, 1959, is made purely in the interests of safety, not revenue. The duty concession made in 1959 for farm tractors was withheld from three-wheeled ones because they were liable to overturn; it has now been



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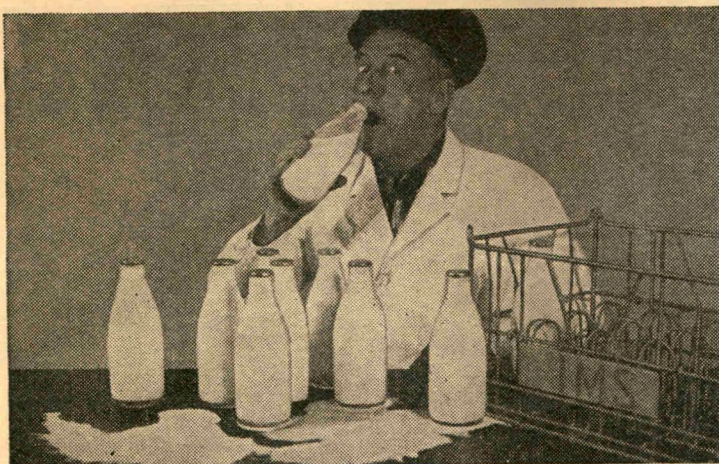
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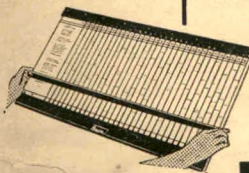
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# Variances from Standard Production Cost

## II.—LABOUR VARIANCES

by R. G. H. NELSON, F.C.A., F.C.W.A.

*The first article in this series dealt with material variances and appeared in the issue of April 22nd, 1961. Subsequent articles will deal with overhead variances and sales variances.*

### 1. Budgets and Standards

**T**HROUGHOUT these examples it is assumed that the period budget is established from the same basic information as is used in compiling cost standards.

In some respects this may not be so. For example, a standard overhead recovery rate might be used in preparing detailed standards for the new year before the overheads budget had been completed. The budget might then show a forecast over or under recovery of overhead.

It is considered, however, that there should not normally be any divergence with regard to labour efficiency (the ratio of hours produced/hours worked).

When the period budget and the accounting standards do differ on any point the decision will have to be made as to whether revised standards are necessary for cost control.

### 2. 'Productive' and 'Excess' Hours Worked

It has been assumed in the attached chart that:

- (a) a wage rate variance will be calculated on all hours paid, whether they are worked hours or paid absence; but will not be calculated on make-up allowances or overtime premiums;
- (b) the standard cost of paid absence, of hours spent on work subsequently spoiled or rejected, and of hours in excess of standard for some permitted reason outside the operator's control, will be identified separately and written off to specific variance or overhead accounts;
- (c) efficiency will be measured, therefore, from the basis of 'production hours worked' only. (Not to be confused with 'standard hours produced').

These assumptions are not invariable. In some cases it may be preferable to charge the 'loss' accounts shown on the chart at actual cost. In other cases, the cost of spoilage or of allowed excess hours may enter into the calculation of the production efficiency variances.

The form of presentation required will determine the method of calculation in each case.

### 3. Spoilage/Reject Variance

Alternative formulas are given on the chart: one charging to the variance account the actual hours spent on spoiled work, and the other charging the standard hours applicable to the work done. Under the latter method, which is often the simpler in practice, the production efficiency variance will include the effect of off-standard efficiency on the work scrapped. Under the former method care must be taken in calculating the production efficiency variance to ensure that scrapped work is excluded from both worked hours and hours produced.

The formulae given quote 'Time taken up to moment of spoilage'. In practice, this calculation may be cumbersome, and some approximation would be used, for example:

- (a) to assume that scrap occurred at the end of the last completed operation;
- (b) or at 50 per cent completion;
- (c) or to assume that all work is completed before being scrapped.

The formulae used must be reasonable in relation to normal operating conditions and the distortion of inventory values should be assessed.

### 4. Joint Effect of Variances

Under headings 2 and 3 above are indicated aspects of a problem that has haunted standard costing since its inception, namely, the proper formula for breaking down a total variance according to the respective factors involved.

In the case of a labour cost variance, for example, when both efficiency and rate of pay show variations from standard, is it theoretically correct to calculate the efficiency variance at the standard rate per hour, without reflecting the fact that because the rate per hour has changed the variation in efficiency is having a more or less serious cost effect than it would otherwise have done?

Conversely, can it be correct to measure a wage rate variance against actual hours worked



## LABOUR COST VARIANCE

(Standard hours produced  $\times$  standard rate per hour produced) — actual payroll

RATE OF PAY		UTILIZATION	
GENERAL FORMULAE	Wage Rate Variance (Actual hours worked/paid + bonus hours payable) × (standard rate per hour — actual rate per hour worked/paid)	(Standard hours produced × standard rate per hour produced) — (actual hours paid × standard rate per hour paid)	
	PRODUCTION EFFICIENCY		
	Actual hours produced × (budget effective rate per hour produced — actual effective rate per hour worked/paid)	Benefit of Efficiency (Recovery variance)	
	Cost of Efficiency (Expenditure variance)  Productive hours worked × (budget per cent efficiency — actual per cent efficiency) × bonus per cent × standard rate payable per hour	Productive hours worked × (actual per cent efficiency — budget per cent efficiency) × standard recovery rate per hour	
NOTE. — If the budget assumes 100 per cent efficiency (hours worked = standard hours produced) then the standard rate per hour payable will be the same as the standard rate per hour recoverable.			
APPLICATION TO VARIOUS WAGE BASES		Make-up Allowance – Guaranteed Week (Piecework and bonus schemes) Budget allowance — actual allowance	
I. Day Work		Allowances for learning Time Budget allowance — actual allowance	
		Sickness, Absence and Idle Time (Budget hours — actual hours) × standard rate per hour	

## APPLICATION TO VARIOUS WAGE BASES

Actual hours worked or paid  
 $\times$  (standard rate per hour worked  
— actual rate per hour worked)

NIL

(a) Efficiency measured in standard hours produced  
Productive hours worked  
 $\times$  (actual standard hours prod.  
— budget standard hours prod.)  
 $\times$  standard rate per hour prod.

(b) 'Minute cost' method  
Actual number of pieces produced  
 $\times$  (standard minutes per piece  
— actual minutes per piece)  
 $\times$  standard rate per minute reduced  
(Compare this formula with 'Material Usage Variance'.)

<b>II. Piecework</b>	Actual pieces produced × — standard rate per piece	NIL	NIL	<b>Other Excess Hours Allowed</b> (Budgeted excess hours — actual excess hours) × standard rate per hour
<b>III. Differential Piecework Rates</b>	Actual pieces produced × — applicable differential per cent × — standard rate per piece	Actual pieces produced (100 per cent — applicable differential per cent) × — standard rate per piece	NIL	<b>NOTE.</b> — Any bonus payable on allowed excess hours might involve either calculating separate Cost and Recovery Variances or the flexing of the budget allowance.
<b>IV. Premium Bonus Schemes</b>	<p>[Actual hours worked or paid bonus per cent (hours produced hours worked)] + — [standard rate per hour paid] × — actual rate per hour paid]</p> <p style="text-align: center;">OR (using different terminology)</p> <p>[Time taken or paid bonus per cent (time allowed time taken)] + — [standard rate per hour paid] × — actual rate per hour paid]</p> <p><b>NOTE.</b> — On bonus per cent rate: Under the Halsey scheme, this would be a standard percentage. Under the Rowan scheme it would be: <math>\frac{\text{time taken}}{\text{time allowed}}</math></p>	<p><b>Halsey</b>  <math>\left\{ \begin{array}{l} \text{Hours produced} \\ - \text{hours worked} \\ \times \text{Budget hours produced} \\ \times \text{budget hours worked} \end{array} \right\}</math>          × standard bonus per cent          × standard rate payable per hour</p> <p><b>Rowan</b>  <math>\left\{ \begin{array}{l} \text{Budget time taken} \\ \text{budget time allowed} \\ \times \frac{\text{actual time taken}}{\text{budget time taken}} \\ \times \frac{\text{budget time taken}}{\text{budget time allowed}} \end{array} \right\}</math>  <math>\left\{ \begin{array}{l} \text{Actual time taken} \\ \text{actual time allowed} \\ \times \frac{\text{actual time allowed}}{\text{less actual time taken}} \end{array} \right\}</math>          × standard rate payable per hour</p>	<p>Hours produced — (Hours worked × <math>\frac{\text{budget hours produced}}{\text{budget hours worked}}</math> × standard recovery rate)</p> <p style="text-align: center;">OR (using different terminology)</p> <p>Time allowed — (time taken × <math>\frac{\text{budget time allowed}}{\text{budget time taken}}</math> × budget rate per hour allowed)</p>	<b>Overtime Premium</b> Budgeted cost — actual cost  <b>NOTE.</b> — Shift premiums normally included in standard rate per hour.

**Sub-Analysis of Variances**

(a) By department or cost centre.

(b) By cause:

Wage Rate Variance.

(i) Base Rate Variance, due to merit increases or general wage award.

(ii) Grade (Mixture) Variance, due to availability of grade labour or to Methods Change.

After the various 'losses' noted above have been segregated the remaining efficiency variance will be explicable (due, for example, to difficult material, worn tools, unfamiliarity with job) but the analysis could be laborious to evaluate.

• Efficiency Variance.

Make/Buy Variances.

BUY instead of make. Credit Make/Buy variance account. Debit inventory, with standard labour cost for make.

MAKE instead of buy. Debit Make/Buy variance account with standard cost of actual hours worked (or with actual cost, reducing Wage Rate Variance pro-rata).

Revision Variances.

See Chart 'Material Cost Variance' for principles to be used. (*The Accountant*, April 22nd, 1961, page 476.)



without reflecting the fact that the difference between budgeted and actual hours has exaggerated or mitigated the effect of the change in rate?

On analysis it will be seen that there is a sum equivalent to (standard hours – actual hours) (standard rate – actual rate) which does not belong entirely either to the rate variance or to the efficiency variance.<sup>1</sup>

There is no one 'correct' method of dealing with this amount, which can only be apportioned according to some convention. The most common conventions are as follows:

- (a) *to consider the factors in the historical order of their occurrence, i.e.*

If it is agreed to pay a man an increased rate per hour, the calculation of rate variance should not be affected by subsequent variations in his efficiency. (Rate variance equals actual hours by difference in rate).

- (b) *To calculate the variance which is considered 'avoidable' at the current value of other factors*

Thus if inefficiency is considered avoidable the efficiency variance would be calculated at the

actual rate of pay, diminishing the rate variance correspondingly.

- (c) *To apportion the 'neutral' variance among the other variances by an arbitrary algebraical formula*  
If there are more than two joint factors involved, the calculations, although straightforward, are laborious; and unless some practical advantage can be obtained the trouble of calculation might not be justified.

- (d) *To use the method easiest to understand by those responsible for the control of costs*

It is sometimes overlooked that standard costing is not a mathematical exercise but an aid to control. In relation to labour cost variances, the foreman is responsible for the efficiency of his department but not for the operative's rate of pay. The personnel department is responsible for wage scales but not for operator efficiency.

This commonsense approach (which in result is very similar to Method 1 above) is the one which has given rise to the variance formulas commonly used, and which are quoted on the chart.

The method obviously gives considerable flexibility, so that variances may be presented in the form best suited to the conditions of each individual organization.

<sup>1</sup>Ref. Mr L. R. Connor in *Statistics in Theory and Practice*. Sir Isaac Pitman & Sons Ltd, London.

# The Accounting World

## UNITED STATES

### Uniformity in Accounting

THE desirability or otherwise of uniformity of accounting principles was a subject for discussion at the last annual meeting of the American Institute. Mr L. Spacek, C.P.A., a member of the Institute's Accounting Principles Board, took the recent irregularities of the Sister Kenny Foundation as an example of the dangers of non-uniformity. The auditors allowed management a high degree of flexibility and experimentation in reporting fund-raising costs over a nine-year period. The public was not adequately informed and contributed millions of dollars for charitable purposes, only to have them siphoned off for non-charitable uses. Mr Spacek considers that the profession cannot avoid some share of responsibility for such cases, under the standards it has allowed to exist, so that a local accounting firm must bear the brunt of the inadequacies of general professional practices.

Mr Maurice Peloubet, C.P.A., gave the case for flexibility based on broadly defined principles or postulates. He likened the relation between basic, generally accepted accounting principles and accounting techniques to that between the Ten Commandments and the great body of statute law, Court decisions and administrative regulations. The former

never change, embodying the basic principles of human conduct, but they must be implemented by specific laws and rules, just as uniform general accounting principles are applied in flexible procedures and techniques.

### Accounting in the University Curriculum

THE Committee of the American Accounting Association, appointed to review the findings of two reports of 1959, which were financed respectively by the Ford and Carnegie Foundations, has reported its views. These two reports considered that accounting should occupy not more than 10 per cent (Ford) or 12.5–15 per cent (Carnegie) of the commerce degree curriculum, as against 25 per cent regarded as desirable by the Association, after long study of the problem.

The Committee rejects the implication that all liberal arts courses are of greater value to basic education, to development of the personality, and to training in analytical thinking, than are courses such as accounting. There is reason to believe, it says, that accounting properly taught has many of the merits of mathematics, in the training of the analytical faculties, and of history and the social sciences in explaining the basic social phenomena whose understanding marks the cultured man.

**Competitive Bidding**

COMMENTING on a new statement on competitive bidding for audit services, released by the Municipal Finance Officers Association and the American Institute of Certified Public Accountants, an editorial in the April issue of *The Journal of Accountancy* says that the Institute's committee on professional ethics has proposed the following revised rule: 'A member shall not make a competitive bid for a professional engagement. Competitive bidding for public accounting services is not in the public interest, is a form of solicitation, and is unprofessional.' Few other professions are so troubled by this problem, the editorial adds.

The statement itself says that many governmental agencies continue to call for competitive bidding for services of independent certified public accountants, a confusion of principle confined almost exclusively to independent auditing services. The advantage of the new rule, points out the editorial, would be that it would apply to all members alike, not being tied as now to the varying rules of State C.P.A. societies and State boards of accountancy.

**CANADA****Specialization in Accounting**

AN increasing number of firms in Canada are becoming expert in the management services field, states and editorial in *The Canadian Chartered Accountant* for April. Some form a separate department of their accounting practice for this; some have formed a separate partnership under a different name, while others have become associated with an incorporated company offering management services to the public. Members of the profession should consider, says the editorial, whether the profession should permit or encourage advertising as specialists.

In the electronic age, it is emphasized, specialization will call for planned courses of study, research, and a programme of continuing education within the Institutes and in co-operation with other professional bodies, and particularly with universities.

**SOUTH AFRICA****Tax Offices Under-staffed**

THE Department of Inland Revenue and the Auditor-General's department are both facing a crisis due to staff shortages, according to the report of Parliament's Select Committee on Public Accounts. The Auditor-General's department stated that in the past year, of 4,928 assessments checked, 626 were under-assessed and eight over-assessed, the loss to the State amounting to over £45,000 on these alone; the total amount lost in taxation can only be a matter for conjecture, but the overall effect is said to threaten the effectiveness of the entire fiscal policy.

One of the reasons for the failure to obtain sufficient new recruits to these departments has a familiar ring;

that the new generation is not sufficiently interested in the job, only in the rewards that can provide distractions. Another reason, also not unexpected, is that the tempo of work in a tax office is too fast for most civil servants, who prefer the more leisurely, normal pace of other Government departments. The third reason, undoubtedly the most serious, is that the service is not attracting men with university degrees or legal or accounting qualifications and that recruiting is almost entirely from the Afrikaans-speaking section of the population. In a community where the administrators are drawn only from a white population heavily outnumbered by natives, any further division can be fatal to efficiency.

**Import Quotas again Reduced**

THE maintenance of gold and foreign exchange reserves is the chief preoccupation of the Government at present. From a figure of £150 million at the beginning of 1960, the reserves have fallen to £77 million, and are still diminishing slowly but steadily. Import quotas have been further reduced, and there is a possibility of restrictions being placed upon the movement of resident capital. Proposals to establish South Africa's own motor industry are also being examined, and in the meantime motor assembly plants have been told that from July 1st certain parts such as seat frames and springs must be of South African manufacture, in default of which the cost of imported parts will be set against import quotas for cars. The purchase of cars, or of parts for assembly, have in the past been the largest single item in the Union's imports.

The Minister of Finance has categorically denied, however, that the Government has any intention of placing restrictions on the transfer of either dividends or capital to overseas shareholders, who own some £400 million in Union equities alone. Any attempt to impose such restrictions, or to devalue the South African Rand against sterling would indeed be a desperate measure if the country wishes to stay in the international money market.

**SOUTHERN RHODESIA****New Tax Proposals**

THE Government of Southern Rhodesia proposes new tax measures to come into operation on July 1st. They include a new personal tax on all employees and a tax of £1 per month on employers in respect of each non-Federal African employee who is without Federal citizenship. Cheque stamps are to go up from 2d to 3d, and on hire-purchase agreements from 10s to £1. The betting turnover tax is to be extended to football pools. These measures are an emergency attempt to meet a current Budget deficit. The territory is already collecting the maximum 20 per cent surcharge on Federal income tax, and cannot impose its own income tax.

# Weekly Notes

## Irish Institute's New President

**MR ALFRED ERNEST DAWSON, F.C.A.**, a partner in the firm of J. Sedgwick & Co, Chartered Accountants, of Dublin, was elected President of The Institute of Chartered Accountants in Ireland at the Institute's annual meeting held in Dublin last Saturday.



Mr A. E. Dawson

Mr Dawson was educated at St Andrew's College, Dublin, and served under articles with Mr John Sedgwick, F.C.A., taking first place in the Institute's Intermediate examination in 1923 and second place in the Final examination two years later. He

was admitted an Associate of the Institute in 1926 and became a partner in his present firm in the following year. He was elected a Fellow of the Institute in 1933 and in 1946 was appointed an Institute examiner in auditing.

A past chairman of the Dublin Society of Chartered Accountants, which he had been instrumental in founding, Mr Dawson was elected to the Council of the Institute in 1953 and was elected Vice-President at the annual meeting last year.

The new President is a keen angler and an enthusiastic golfer. In his younger days he played rugby for Clontarf R.F.C. without, however, achieving in this field the international reputation of his son.

The new Vice-President is Mr Rollo Ellis McClure, M.B.E., F.C.A., a partner in the firm of Rawlinson, Allen & White, Chartered Accountants, of Belfast.

## Jenkins Committee Evidence

**THE** minutes of evidence taken before the Company Law Committee on February 17th, the fifteenth day of its public sittings, have been published, along with memoranda by the London Stock Exchange and The Law Society.<sup>1</sup>

The Council of the Stock Exchange welcomed the steps taken in recent years to make company accounts more readable. It considers that the more information which is revealed, the better it is for the investing public; it would welcome the inclusion of information about the volume of effective sales, and the more widespread use of half-yearly progress reports. The Council supports the exemptions for life assurance

companies, but not those for shipping companies.

The memorandum of The Law Society stated that there was no justification for further drastic changes in accounts provisions, since those introduced in 1948. It approves of capitalization issues out of unrealized capital surpluses, but it expresses the view that the circumstances in which a cash or assets distribution in such cases was justified were very rare. The heavy responsibility resting upon directors and their advisers was an effective check to any abuse. Like so many other witnesses, The Law Society criticizes the drafting of paragraph 15 (5) of the Eighth Schedule to the Act, concerning pre-acquisition profits of subsidiaries.

The Council of The Law Society believes that there is obscurity in the provisions governing the appointment of auditors; it was not clear whether an auditor could validly resign, and there was no specific provision for the removal of an auditor for lunacy or any other incapacity, misconduct, fraud, bankruptcy, or even professional disqualification. The Society's memorandum contains a recommendation designed to clear up these doubts. It also argues that exempt private companies should be under the same obligations, as regards qualification of auditors, as other companies.

As with previous hearings, witnesses representing the two bodies who had submitted the memoranda were closely examined on a number of matters. One of the topics ventilated was the power of declaring dividends, or bonus issues, out of capital surpluses, realized or unrealized.

## Tax Treatment of Stock and Work in Progress

**R**EPRODUCED on page 609 is a letter from the Chairman of the Board of Inland Revenue to the President of The Institute of Chartered Accountants in England and Wales on the treatment for tax purposes of stock-in-trade and work in progress. Discussions between the Inland Revenue and the Institute on Recommendation 22 were suspended while the *Duple Motor Bodies* case was before the House of Lords, and resumed after the House gave judgment. The recommendation was not available to the House of Lords in that case and therefore the House made no reference to it. However, their decision has not prevented the Inland Revenue from expressing their substantial agreement with the recommendation; such reservations as they make are of a minor character. It is very gratifying to know that the Inland Revenue and the Institute are so much *ad idem* on this important topic; even to the extent of the Inland Revenue circulating the recommendation among the tax inspectorate. It will make for much easier settlement of tax liabilities and eliminate time- and money-wasting disputes. Armed with the recommendation in one hand, and the *Duple* judgments in the other, the accountant will be fully equipped to fight any battle with the tax office on valuation of stock and work in progress.

<sup>1</sup> H.M.S.O., 5s 6d net.

**'Permanent Discontinuance' for Tax Purposes**

THE Court of Appeal has reversed the decision of Danckwerts, J., in *Aviation & Shipping Co Ltd v. Murray*, which was the subject of a leading article in our issue of November 19th last, and reported at 39 A.T.C. 281. The company was a shipping company which bought from its wholly-owned subsidiary in 1954 all the assets of that subsidiary, including two ships. It resold the two ships in February and March 1955, respectively, and subsequently acquired three more ships. On these facts it claimed (a) that it had succeeded to the subsidiary's trade, and (b) that when the two ships were disposed of, that trade was permanently discontinued, so that the cessation provisions applied.

Danckwerts, J., accepted this submission, but the Court of Appeal, according to *The Financial Times* of last Wednesday, unanimously held that there was no permanent cessation in 1955. The company obtained leave to appeal to the House of Lords.

**Dividend-stripping through a Share Dealer**

THE Court of Appeal has dismissed the Crown's appeal against the decision of Danckwerts, J., in *J. P. Harrison (Watford) Ltd. v. Griffiths* (39 A.T.C. 287) which we reported in our issues of November 12th and December 3rd, 1960. The case turned on a classic method of dividend-stripping, carried out before the passing of legislation directed against it. The appellant company gave up its merchanting business in 1953-54 and took power to deal in shares. It then bought the whole issued capital of another company which had accumulated profits, paid itself a large dividend out of those profits, and then resold the shares at a considerable loss, without ever having been registered as the shareholder (the transfer was in blank and unstamped). The Special Commissioners upheld the Revenue's rejection of its claim to set off the loss (as a loss in trade) against the dividend, on the ground that the purchase of the shares to resell at a loss was not part of the company's trade as a dealer in shares. Danckwerts, J., allowed the company's appeal and the Court of Appeal, according to Monday's *Financial Times*, has affirmed his decision. Lord Justice Donovan dissented.

**Jack Hawkins: Crown Appeal Succeeds**

THE Court of Appeal has allowed the Crown's appeal from the decision of Danckwerts, J., in *Crossland v. Hawkins* reported in our issues of November 19th and December 10th, 1960. The dispute turned on the construction of the definitions of 'settlement' and 'settlor' in Section 403 of the Income Tax Act, 1952. 'Settlement' is defined to include, *inter alia*, an 'arrangement'; 'settlor' includes any person by whom the settlement was made 'or entered into directly or indirectly', and 'any person who has provided funds directly or indirectly for the purpose of the settlement'.

The history of the case is as follows. In December 1954, Roehampton Productions Ltd was formed with

£100 capital and with Mr Jack Hawkins, the well-known actor, as a director but not a shareholder. He was also the company's principal employee, at only £50 a week, for which sum he was bound to give his services as the company should direct, subject to certain restrictions. In March 1955, his father-in-law settled £100 on the father-in-law's grandchildren and remoter issue. The trustees used the money to subscribe for ninety-eight £1 shares in Roehampton Productions Ltd. That company received £25,000 for Mr Hawkins's services in a film, paying him only £900. In October 1956 it paid an interim dividend of £500 free of tax to the trustees, which was applied for the benefit of Mr Hawkins's infant children. He claimed on their behalf, repayment of personal allowances out of the tax deducted. The Revenue refused the claim, on the ground that the income was caught by Section 397 of the Income Tax Act, 1952.

The General Commissioners and Danckwerts, J., allowed the claim but the Court of Appeal reversed this decision. The Crown argued:

- (a) that Mr Hawkins provided money for the purpose of the settlement admittedly made by his father-in-law, and that therefore Mr Hawkins was a 'settlor' in relation to that settlement; alternatively
- (b) that the formation of the company, the service agreement, and the deed of settlement together formed an 'arrangement' within Section 403; and that Mr Hawkins had provided funds for this arrangement.

Alternative (a) was not put to the General Commissioners, and they had found that there was no 'arrangement'. Nevertheless, the Court of Appeal, according to a report in *The Times* of May 4th, apparently accepted both arguments. Lord Justice Holroyd Pearce observed that a man could not avoid liability merely because he gave a *carte blanche* to his solicitors to make an arrangement for him. Leave was given to appeal to the House of Lords.

**Difficulties for Ratepayers**

THE Lands Tribunal, in a recent case, affirmed the rule that when a proposal is made to amend a rating assessment, the value is to be calculated at the date of the proposal and not at the date of the original valuation against which the ratepayer may be objecting.

'This rule can work very hardly on the ratepayer in a time of rising values,' Mr David Widdicombe, barrister-at-law, told a meeting of The Royal Institution of Chartered Surveyors in London recently. The ratepayer who challenged the assessment of his property in the 1956 list soon found that this assessment was determined in 1954-55, if not earlier. Even if it was incorrect, he would fail to get it altered if values had risen by the time the proposal was made. As valuation officers could cite rising rents to justify their original assessments, 'there is nothing the poor ratepayer can do', he said. 'Doubtless it would work the other way round in a period of falling values, but

either way it is submitted the position is unsatisfactory.'

Mr Widdicombe suggested that there was a strong argument for bringing back draft valuation lists, or for making some provision to enable the ratepayer to challenge the assessment as it appears in the list, and as at the date it was valued for the list.

### New Financial Arrangements for C.D.C.

A NEW financial arrangement has been worked out between the Colonial Development Corporation and the Treasury on the accumulated, unpaid

interest on funds borrowed from the Treasury. This accumulation now amounts to about £11 million. C.D.C. is released from its obligation to meet this liability when it became due and a sum is to be placed in a special account where interest would not be payable. Into this special account will also be put the Corporation's debt for about £9 million arising from Exchequer advances for projects completely abandoned by the C.D.C., an arrangement which is to be reviewed at the end of three years. Instead of an interest payment, the C.D.C. will pay to the exchequer 60 per cent of its net annual profits over £250,000.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 76

THE biggest problem in modern business is how to find time for all one wants to do. There is so much pressure of unexpected work; casual telephone calls proliferate; conferences lengthen; meetings multiply; colleagues sit down across the desk and produce new problems for patient unravelling. It is impossible to settle down to a day's uninterrupted examination of any of the points which register as needing critical attention.

Why is our factory's piece-work bonus system so complicated, with ancient cost-of-living percentage increases and seniority advances? The girls at the machines can't follow it without ceaseless queries and involved arguments. Why is the basis for allocating overheads to departmental sales so obscure? Why do all our managers have different commission rates in their agreements? Simplification must pay off handsomely. But we've no one available to sit down undisturbed at a level high enough to ensure accurate answers. The solution seems to be to appoint an internal auditor; the assignment will develop with the man.

It's a new personnel idea for us so I discussed it with Prinny first of all. Obviously, its success depends on the personality of the first incumbent, so we must pick with care. My departmental accountant lacks drive; his number two is so fussy that he inspires the wrong reaction; after much sifting of names we decided to promote our young cost accountant, and Prinny asked him in for a preliminary chat.

\* \* \* \*

Our cost man is very promising. He's keen, quick-witted, and a glutton for work; his only fault is a sort of intense earnestness which sometimes antagonizes characters with guilty consciences or naturally sluggish working tempo. So I talked to him about

smoother human relationships; a little more camaraderie, a touch of insouciance, a dash of *bonhomie* thrown in . . . it all helps. He promised to remember; he was eager and ambitious.

He was good with Prinny, too. We had a three-cornered discussion; Costs curbed his natural urge to contradict his seniors' assumptions; behind his rather thick black-rimmed spectacles a ray of good fellowship struggled for survival; his ability was manifest. There was ample scope for it to operate in our organization. Prinny had some theories also, though his basic thought was that anyone he didn't like personally was obviously redundant. He poured out his special-interview coffee, produced cigars and looked rather surprised that we had survived so long without an internal auditor.

At this stage, Costs surpassed himself. With courtly grace he whisked out a gleaming lighter, said with gay comradeship: 'Allow ME, sir', and flicked it under Prinny's nose. It failed to light. And failed again. It was clearly over-saturated with fuel. He thumbed it fiercely again; and the whole thing flared up suddenly with a blue and yellow flame, burning his fingers, so not unnaturally he dropped it. Prinny, penned in his heavy swivel chair couldn't dodge quickly enough; the falling lighter hit the coffee cup, and blazing lighter and boiling liquid landed simultaneously in Prinny's grey-flannelled lap. In his wild struggle for safety he knocked over the coffee-pot deluging both the desk and the carpet, and chaos reigned for a moment.

In the flurry of blotting paper, handkerchiefs, and dripping textiles, Costs struggled gamely for insouciance. 'Actually, sir, it was wretched coffee, anyhow', he said, with the ghastly grin of a Claude Duval jesting on the gallows, and Prinny nearly threw the coffee pot at him.

\* \* \* \*

In gloomy silence, I was burying my dream of an internal auditor, when Prinny suddenly began to chuckle. 'You know, old boy, I liked his crack about the coffee', he said. 'That chap will go far.' So we confirmed the new appointment there and then, with a fervent prayer that he won't go too far next time.

# Finance and Commerce

## Clearer Picture

IN order 'to provide a clearer picture of the company's affairs than might be possible from a study of the report and accounts in isolation', Sir Frank Morgan, chairman of the Prudential Assurance Co Ltd, has this year included his annual statement with the accounts. The welcome given to changes in the form of the accounts three years ago, he says, lead him to hope that the present change of procedure will also commend itself to shareholders.

There is little doubt that it will. The wonder is that the step was not taken years ago, especially as so much of the chairman's statement relates to the figures in the accounts.

The accounts, or as much of them for which space can be spared, are the subject of this week's reprint. Interesting as they are, those relating to the various revenue accounts: life, and industrial, assurance, fire, sickness and accident, motor vehicle, marine and aviation, etc., must perforce be left aside. The purpose of the separate funds, of course, is to account for each line of business with the premiums received, claims, commission, expenses of management, the fund concerned being brought in and carried forward.

## Investment Policy

As an 'institutional investor' of its policy-holders' money, Prudential heads the list. Funds in 1960 rose by £77 million and with proceeds from sales and redemptions, the company had £99 million for new investment. In his review, Sir Frank notes the changed outlook last year for Ordinary shares which reached an all-time peak in January 1960. Purchases were most selective and compared with the investment of £44 million including £4 million by way of rights issues in 1959, 1960 purchases totalled £34 million including £10 million in rights.

But Ordinary dividends were higher, giving the company a rise of nearly 18 per cent in income from its United Kingdom equity portfolio, adjusted for new purchases. This bigger equity income was the main cause of an increase in the average yields on the funds which rose by 8s 5d to £6 10s per cent in the Ordinary Branch and by 9s to £6 14s 11d per cent in the Industrial Branch.

Despite Bank rate reduction, fixed interest securities continued to give high rates. Prudential investment in securities of, or guaranteed by, the British Government, was £5 million, in Commonwealth Government provincial and municipal loans £5

## CITY NOTES

SELECTIVE buying continues to give the equity sections of the market an appearance of distinct strength but beneath that veneer there is a growing belief that prices in many sections of the market are high enough. Business is likely to become increasingly selective although the tone is likely to remain firm.

The inflationary aspects of the Budget are still working on the market and it may be the autumn before the threat of the use of the Chancellor's new power of *ad lib* raising of duties makes any impression on market sentiment.

As things are now the 'bearish' influences of rising industrial costs are merely translated into terms of renewed inflation and therefore of renewed insistence upon growth equities.

Typical of current market reaction was the way markets moved on the London dock strike. The strike itself had little obvious influence on market sentiment but its settlement was immediately translated into a 'bull point'.

The shortage of shares becomes increasingly acute and the supply of investment money seems unending.

## RATES AND PRICES

Closing prices, Wednesday, May 10th, 1961

Tax Reserve Certificates: interest rate (26.11.60) 3%

Bank Rate				Foreign Exchanges			
May 22, 1958	5½%	Jan. 21, 1960	5%	New York	2·70½-½	Frankfurt	11·09½-½
June 19, 1958	5%	June 23, 1960	6%	Montreal	2·76½-½	Milan	1734½-½
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%	Amsterdam	10·04½-½	Oslo	20·01½-½
Nov. 20, 1958	4%	Dec. 8, 1960	5%	Brussels	139·92½-½	Paris	13·69½-½
				Copenhagen	19·36½-½	Zürich	12·09½-½
Treasury Bills				Gilt-edged			
Mar. 3	£4 8s 10·41d%	April 7	£4 8s 8·68d%	Consols 4%	64½	Funding 3% 59-69	81½
Mar. 10	£4 9s 9·54d%	April 14	£4 9s 7·69d%	Consols 2½%	42½	Savings 3% 60-70	79½
Mar. 17	£4 9s 8·57d%	April 21	£4 9s 9·01d%	Conv'n 5½% 1974	93½xd	Savings 3% 65-75	72½
Mar. 24	£4 9s 8·46d%	April 28	£4 8s 1·71d%	Conversion 5% 1971	93	Savings 2½% 64-67	84½
Mar. 30	£4 9s 8·41d%	May 5	£4 7s 4·27d%	Conversion 3½% 1969	85½	Treasury 5½% 2008-12	91½
Money Rates				Conversion 3½%	56½	Treasury 5% 86-89	86½
Day to day	3½-4½%	Bank Bills		Exchequer 5½% 1966	99½	Treasury 3½% 77-80	71½xd
7 days	4½-4½%	2 months	4½-4½%	Funding 5½% 82-84	97½	Treasury 3½% 79-81	71½
Fine Trade Bills				Funding 4% 60-90	87½	Treasury 2½%	41½
3 months	5½-6%	4 months	4½-4½%	Funding 3½% 99-04	63	Victory 4%	97½
4 months	5½-6%	6 months	4½-4½%	Funding 3% 66-68	83½	War Loan 3½%	56½xd
6 months	5½-6½%						



million, in debentures £15 million, in mortgages £20 million, and in freehold and leasehold property (which is now becoming very much an insurance investment), £18 million.

### Electronics

In administration, Prudential is going strongly into electronics. It was a pioneer in punched-card equipment (Powers-Samas was under its wing in its early days) and has been a large-scale user for forty years. A large data-processing system is now being installed and is due for completion towards the end of next year. Its use, to begin with, will be on the 1½ million Ordinary Branch policies in force in the United Kingdom. It is intended to maintain a complete record of the policies on magnetic tape and to revise the whole of the records daily. Conversion from the old system of records, Sir Frank says, will be a 'formidable one'. The ordinary mind, still in the adding and accounting machine stage, will shrink from the mere thought of it.

### Hold-all

FEW conferences are held these days where the participants are not provided with some sort of plastic hold-all to carry the miscellany of papers, pictures and portraits that gives the outward sign the public relations men are doing their stuff. Some of these containers are really fine examples of plastic art as well as being very useful in other respects than their prime purpose.

The first to enclose a company report and accounts has now arrived - from the Ross Group Ltd, of Grimsby. The hold-all is an enlarged form of pocket-wallet in transparent plastic with the company's name in colour on the front. The accounts are accommodated in a pocket on one side and in the other is a quarto-size card announcing: 'Chairman's report with annual review will be posted to you before the annual general meeting, May 4th, 1961'. It is impossible to escape the thought that the said report and review 'missed the boat'. However, it is all very nice and tidy but one has the feeling that it is just a tiny bit overdone.

#### The Prudential Assurance Company Limited PROFIT AND LOSS ACCOUNT for the year ended 31st December 1960 ORDINARY AND INDUSTRIAL BRANCHES

1959 £	£	1959 £	£
1,136,718	Transfers from Revenue accounts—	2,191,667	Transfer to Appropriation account ..
1,054,949	Ordinary branch .. .. .		2,481,945
<u>£2,191,667</u>	Industrial branch .. .. .	<u>£2,191,667</u>	<u>£2,481,945</u>
	1,303,795		
	1,178,150		
	<u>£2,481,945</u>		

#### GENERAL BRANCH

1959 £	£	1959 £	£
124,885	Transfers from Revenue accounts—	130,000	Taxation—
213,606	Fire .. .. .	177,000	Overseas taxes .. .. .
351,778	Sickness and accident .. .. .	745,000	Profits tax .. .. .
319,952	Motor vehicle .. .. .	10,000	Income tax .. .. .
38,370	Miscellaneous .. .. .	936,182	Transfer to Investment reserve account ..
40,000	Sinking fund .. .. .		Transfer to Appropriation account ..
	Marine .. .. .		
909,591	Interest and dividends not carried to other		
<u>£1,998,182</u>	accounts .. .. .	<u>£1,998,182</u>	<u>£1,959,899</u>
	1,095,986		
	<u>£1,959,899</u>		

#### APPROPRIATION ACCOUNT for the year ended 31st December 1960

Ordinary and Industrial Branches 1959.	General Branch 1959.		Ordinary and Industrial Branches.	General Branch.	Ordinary and Industrial Branches 1959.	General Branch 1959.		Ordinary and Industrial Branches.	General Branch.
£	£		£	£	£	£		£	£
—	196,645	Balance brought forward from previous year ..	—	232,827	—	—	Transfer to Branch contingency fund ..	—	500,000
2,191,667	936,182	Transfers from Profit and loss account .. ..	2,481,945	976,899	—	500,000	Transfer to Additional reserve fund ..	—	—
					2,191,667	100,000	Provision for dividends (free of income tax) in respect of 1960 to holders of—		
					—	300,000	A shares .. .. .	2,481,945	122,222
					—	232,827	B shares .. .. .	—	366,667
<u>£2,191,667</u>	<u>1,132,827</u>		<u>£2,481,945</u>	<u>1,209,726</u>	<u>£2,191,667</u>	<u>1,132,827</u>	Balance carried to Balance sheet .. .. .	<u>£2,481,945</u>	<u>1,209,726</u>

## THE PRUDENTIAL ASSURANCE COMPANY LIMITED

## CERTIFICATES TO THE ACCOUNTS

certify that in my belief the liabilities in respect of long term business do not exceed the amounts of the respective funds and all other liabilities in respect of long term business as shown in the Balance sheet.

F. M. REDINGTON, *Chief Actuary.*

I also certify that in our belief the value of the assets exceeds the amount of the liabilities computed in accordance with the provisions of sub-section (2) of section 13 of the Insurance Companies Act, 1958, by the amount required by sub-section (1) of that Section. The liabilities in respect of long term business have been taken at the amounts of the respective funds and all other liabilities in respect of long term business as shown in the Balance sheet.

No part of any fund has been applied directly or indirectly for any purposes other than those of the class of business to which the fund is applicable.

I also certify that in our belief the value at 31st December, 1960, of the assets set forth in the Balance sheet is in the aggregate in excess of the amount stated therein. For the purpose of this certificate the values of the quoted Stock Exchange securities have been taken at middle market prices as at that date and the values of other assets have been estimated by the Directors.

The amounts at which the Stock Exchange securities and other assets are stated in the Balance sheets are determined under the Articles of Association of the Company by the Directors; individual groups of assets appear at amounts which are above or below the values referred to in the previous paragraph.

K. A. USHERWOOD, *General Manager.*

F. W. MORGAN, *Chairman.*

F. M. REDINGTON, *Chief Actuary.*

JOHN S. P. MELLOR, *Director.*

1 April, 1961.

L. BROWN, *Secretary.*

D. A. REID, *Director.*

## NOTES TO THE ACCOUNTS

## 1. The Company has the following forward commitments and contingent liabilities:

1959. £		1960. £
43,710,000	Capital commitments for settlement after 31st December .. .. .	61,770,000
470,000	Contingent capital commitments .. .. .	2,060,000
2,580,000	Uncalled capital on investments held .. .. .	2,790,000
340,000	Reserve liability on shares, etc. .. .. .	340,000

In addition certain guarantees have been given by the Company in respect of retirement benefits for the Staff and benefits for their relatives and dependants.

2. Part of the assets (investments and cash) of the General branch has been deposited under local laws in places out of the United Kingdom on account of fire, casualty and marine insurance business. Specific deposits of life assurance assets of the Ordinary branch, as set out below, have been made under local laws as security to holders of policies issued. Investments (at or under market value, if quoted), property and cash amount to:

1959. £		1960. £
35,500	Australia .. .. .	34,500
19,000	Burma .. .. .	19,000
30,493,000	Canada .. .. .	32,811,500
1,328,500	Egypt (see Note 7) .. .. .	1,361,500
13,000	Ireland .. .. .	11,500
4,500	Israel .. .. .	4,500
47,500	New Zealand .. .. .	48,500
2,378,500	Pakistan .. .. .	2,621,000

3. A Shares—This capital is liable in respect of contracts in all branches of the Company's business, but is included in the Industrial branch accounts pursuant to Section 3 of The Prudential Assurance Company Act, 1875.

4. The aggregate amount of the Directors' remuneration for the year was £54,881 (1959, £54,948). In addition under arrangements whereby the Company itself augments the pensions payable out of the Staff Pension Funds to, or to the dependants of, all ex-employees who had retired before certain specified dates, some present or past Directors who had themselves been employees of the Company prior to their retirement and subsequent election to the Board, or the widows of such past Directors, were paid the sums by way of addition to their existing staff pensions to which the above arrangements entitled them. The aggregate amount of these sums was £3,478 (1959, £3,366).

5. With the consent of the Board of Trade, Aviation business written under a reinsurance treaty has in the past been included in the Miscellaneous account. The volume of this business is increasing and therefore such business written after 1st January, 1960, has this year and will in future years be included with the Marine, Aviation and Transit Insurance Business.

6. Life and casualty revenue account transactions in overseas currencies have been brought in at the rates of exchange ruling on 31st December, 1960, with the exception of interest received at or paid by the Company's Chief Office which has been brought in at the rates ruling on the dates of the respective transactions; the adjustment in exchange item appearing in certain revenue accounts is the difference between the sterling equivalents at the rates ruling at the beginning and the end of the year of the fund brought forward at the beginning of the year. Fire and marine revenue account transactions in overseas currencies have been brought in at rates of exchange approximating to those current on the dates of the respective transactions. Currency assets are maintained so far as practicable to the extent of the corresponding liabilities and together with reserve and contingency funds are available towards meeting any increase in liabilities by reason of any future variations in rates of exchange. Liabilities and assets in overseas currencies have been converted into sterling at the rates ruling on 31st December, 1960, except that in the case of certain investments in overseas currency held at Chief Office, book values have been based on the rates of exchange ruling on the dates of acquisition.

7. The business of the Company in Egypt was sequestered by the Egyptian Government on the 1st November, 1956, and is understood to have been subsequently sold by the Custodian General to the Al Goumhouria Insurance Company. Pending clarification of the position, which is being investigated, the assets and liabilities of this part of the Company's business as at the date when the last accounts were received have been retained in the Company's Balance Sheet. As provided in the agreement signed on the 28th February, 1959, between the Governments of the United Kingdom and the United Arab Republic, a claim has been made for compensation but no credit has been taken in the accounts for any amount which may be received.

8. An investment reserve account is maintained in each branch to which are carried profits and losses on realisation of assets together with adjustments to ledger values and exchange differences, other than exchange differences on fire, marine, aviation and transit insurance business, less any relative United Kingdom taxes thereon. The investment reserve accounts, after bringing in transfers to or from the revenue accounts, have been applied to reduce the Balance sheet values of the assets in the appropriate branches.

9. With the approval of the Board of Trade (a) the group accounts do not deal with Prudential Nominees Limited and certain overseas subsidiaries whose businesses are so different from that of the Company that they cannot reasonably be treated together as a single undertaking and in which subsidiaries the shareholdings are held merely as investments, and (b) the particulars of such subsidiaries otherwise required to be given in accordance with paragraphs 15 (4) and (6) of the Eighth Schedule to the Companies Act, 1948, are omitted. The accounts of the Company's Italian subsidiary, which is an agency company formed during 1959 to assist in obtaining General branch business, have not been dealt with in the group accounts as the amounts involved are insignificant; the operations up to 31st December, 1960, have resulted in a loss of £13,047 of which £7,645 relates to 1960; these losses have been absorbed by the Company.

10. General branch business in the United States of America is transacted by the Company's subsidiary, The Prudential Insurance Company of Great Britain located in New York. The Accounts of this subsidiary for the year 1960 have been approved by the Directors and are annexed to these accounts. The Company's main Balance sheet its investment in this subsidiary appears as an asset of the General branch under the heading "Subsidiary dealt with accounts annexed—Ordinary shares" and is shown at dollar cost converted to sterling at the rate of \$2.80 to the £. The Company's main accounts do include the business transacted by the subsidiary except that the dividend received in 1960 is included with General branch interest and dividends.

## BALANCE SHEET

Ordinary Branch 1959.	Industrial Branch 1959.	General Branch 1959.	Total 1959.	LIABILITIES.	Ordinary Branch.	Industrial Branch.	General Branch.	Total.
£	£	£	£		£	£	£	£
—	1,250,000	—	1,250,000	<b>Authorised and Issued Capital—</b>	—	1,250,000	—	1,250,000
—	—	200,000	200,000	6,250,000 A shares of 4s. each, fully paid..	—	—	200,000	200,000
14,000,000	21,500,000	1,000,000	36,500,000	4,000,000 B shares of 5s. each, ls. paid ..	—	—	—	—
—	—	232,827	232,827	<b>Branch contingency funds</b> .. ..	14,000,000	21,500,000	1,500,000	37,000,000
475,371,574	—	—	475,371,574	<b>Appropriation account—balance carried forward</b> .. ..	—	—	220,837	220,837
—	472,616,399	—	472,616,399	<b>Life assurance fund, Ordinary branch..</b>	525,245,078	—	—	525,245,078
—	—	—	—	<b>Industrial assurance fund</b> ... ..	—	497,010,588	—	497,010,588
—	—	2,673,467	15,387,465	<b>General branch insurance funds—</b>	—	—	2,762,977	15,923,563
—	—	1,461,856		Fire .. ..	—	—	1,540,564	
—	—	2,603,736		Sickness and accident .. ..	—	—	2,881,014	
—	—	1,554,874		Motor vehicle .. ..	—	—	1,630,259	
—	—	2,161,660		Miscellaneous .. ..	—	—	2,062,515	
—	—	1,031,872		Sinking fund .. ..	—	—	1,146,234	
—	—	3,900,000		Marine .. ..	—	—	3,900,000	
—	—	—	—	Additional reserve .. ..	—	—	—	—
3,433,611	1,450,374	—	4,883,985	<b>Current liabilities and provisions—</b>	—	—	—	—
—	—	1,219,964	6,075,652	Claims admitted or intimated, but not paid, less amounts recoverable under re-insurances—	3,831,783	1,601,478	—	5,433,261
—	—	3,318,039		Life .. ..	—	—	1,228,692	6,333,613
—	—	1,537,649		Fire .. ..	—	—	3,529,748	
7,367	—	—	7,367	Motor vehicle .. ..	—	—	1,575,173	
809,273	97,688	696,178	1,603,139	Miscellaneous .. ..	—	—	—	—
394,369	632,217	104,209	1,130,795	Annuities due and unpaid .. ..	5,598	—	—	5,598
—	—	550,947	709,001	Outstanding commission and expenses ..	925,403	41,218	705,638	1,672,255
—	—	10,678		Premiums received in advance .. ..	493,369	754,556	117,026	1,364,951
—	—	15,022		Amounts due on reinsurance account—	—	—	—	—
—	—	91,180		Fire .. ..	—	—	549,963	799,793
—	—	41,174		Sickness and accident .. ..	—	—	6,608	
638,644	333,772	70,436	1,042,852	Motor vehicle .. ..	—	—	16,802	
1,366,882	1,400,408	181,689	2,948,979	Miscellaneous .. ..	—	—	136,905	
587,394	6,542	152,046	745,982	Marine .. ..	—	—	89,515	
106,716	96,917	91,806	295,439	Amounts due to subsidiaries .. ..	151,068	755,442	626	907,136
—	—	388,647	388,647	Other creditors .. ..	513,357	388,023	65,126	966,506
1,136,718	1,054,949	400,000	2,591,667	Sundry brokers for investments purchased	978,546	920,025	27,963	1,926,534
—	—	—	—	Overseas taxes .. ..	732,268	8,886	102,052	843,206
—	—	—	—	Profits tax .. ..	109,657	113,545	114,384	337,586
—	—	—	—	United Kingdom income tax including reserve for future liability on profits earned to date .. ..	—	—	572,849	572,849
—	—	—	—	Dividends declared .. ..	1,303,795	1,178,150	488,889	2,970,834
The certificates and notes on pages 20 and 21 [599] form an integral part of this Balance sheet.								
£497,852,548	500,439,386	25,689,956	1,023,981,870		£548,289,922	525,521,911	27,172,359	1,100,984,192
			3,830,474	<b>Common contingency fund</b> .. ..				3,885,126
			6,272,812	<b>Special contingency fund</b> .. ..				6,382,220
			677,626	<b>Dividend reserve fund (A shares)</b> .. ..				690,571
			£1,034,762,782	(per separate Balance sheets)				£1,111,942,10

May 13th, 1961

THE  
ACCOUNTANT

601

## COMPANY LIMITED

31st DECEMBER 1960

Ordinary Branch 1959.	Industrial Branch 1959.	General Branch 1959.	Total 1959.	ASSETS.	Ordinary Branch.	Industrial Branch.	General Branch.	Total.
£	£	£	£		£	£	£	£
28,761,521	16,255,403	223	45,017,147	<b>Mortgages—</b>				
17,071,389	15,087	2,759	17,089,235	On property within the United Kingdom	37,837,966	20,572,939	—	58,410,905
				On property out of the United Kingdom..	19,580,993	8,865	27,268	19,617,126
2,752,157	5,434,955	284,100	8,471,212	<b>Loans—</b>				
8,376	—	—	8,376	On parochial and other public rates ..	2,720,828	5,006,801	292,000	8,019,629
375,060	100,000	112,518	587,578	On life interests .. .. .	7,764	—	—	7,764
				On Stocks and shares .. .. .	3,300,000	3,825,000	11,607	7,136,607
14,756,955	—	4,000	14,760,955	On Company's policies within their sur- render values .. .. .	16,296,094	—	4,000	16,300,094
331,816	96,214	171,213	599,243	Without specific security .. .. .	371,065	118,813	194,305	684,183
15,532	77,661	—	93,193	To subsidiaries .. .. .	—	—	—	—
61,920,459	103,629,592	3,481,723	169,031,774	<b>Investments—</b>				
24,639,595	57,487,082	1,110,379	83,237,056	British Government securities .. ..	60,368,890	102,746,817	3,237,553	166,353,260
				British Government guaranteed securities	24,585,862	59,376,297	1,344,496	85,306,655
203,426	241,554	—	444,980	Securities guaranteed under Trade Facili- ties and other Acts .. .. .	193,426	236,554	—	429,980
2,170,352	2,063,695	263,281	4,497,328	Municipal and county securities, United Kingdom .. .. .	1,731,383	1,968,201	245,843	3,945,427
481,498	1,836,733	28,472	2,346,703	Public Board securities, United Kingdom	445,498	1,789,453	27,872	2,262,823
23,269,220	4,840,674	1,368,678	29,478,572	Other Commonwealth Government secu- rities .. .. .	25,203,715	3,320,829	1,416,250	29,940,794
5,823,098	—	913,934	6,737,032	Other Commonwealth provincial securities	7,186,585	—	1,131,732	8,318,317
7,792,529	7,616	765,137	8,565,282	Other Commonwealth municipal securities	8,531,396	7,616	902,813	9,441,825
				Other Commonwealth Public Board secu- rities .. .. .	2,904,142	—	—	2,904,142
2,914,685	—	—	2,914,685	Foreign Government securities .. ..	1,635,804	681,519	254,133	2,571,456
997,754	134,162	308,032	1,439,948	Foreign provincial securities .. ..	2	3	—	5
2	3	—	5	Foreign municipal securities .. ..	2,840	5	16,400	19,245
3,535	5	16,400	19,940	Debentures and debenture stocks and gold and sterling bonds—home and foreign	79,487,691	76,313,201	4,943,729	160,744,621
75,968,367	78,096,072	5,110,756	159,175,195	Preference and guaranteed stocks and shares .. .. .	27,506,547	28,991,451	1,587,248	58,085,246
27,887,564	29,293,421	1,557,754	58,738,739	Ordinary stocks and shares .. ..	129,437,684	142,307,596	4,978,642	276,723,922
112,950,698	130,115,451	3,906,757	246,972,906	Subsidiaries not dealt with in group ac- counts—Ordinary shares .. ..	2	101	465	568
2	101	465	568	Rent charges .. .. .	40,000	49,144	—	89,144
40,000	47,644	—	87,644	Freehold ground rents and feu duties ..	7,089,527	7,541,764	—	14,631,291
6,098,881	8,207,191	—	14,306,072	Leasehold ground rents .. .. .	—	135,111	—	135,111
—	169,265	—	169,265	Freehold and leasehold property (includ- ing office premises)—				
59,370,467	53,801,798	—	113,172,265	In the United Kingdom .. ..	67,317,760	60,807,765	—	128,125,525
7,361,322	—	22,361	7,383,683	Out of the United Kingdom .. ..	7,565,642	—	23,633	7,589,275
884	—	—	884	Reversions .. .. .	884	—	—	884
—	—	1,069,108	1,069,108	Subsidiary dealt with in accounts annexed— Ordinary shares .. .. .	—	—	1,071,428	1,071,428
842,808	—	193,278	1,036,086	<b>Current assets—</b>				
—	—	594,333	594,333	Deposits at interest at home and abroad ..	764,926	—	305,531	1,070,457
1,820,761	—	—	1,820,761	Agents' balances .. .. .	—	—	651,475	651,475
1,695,757	—	1,893,862	3,589,619	Commission paid in advance .. ..	1,859,552	—	—	1,859,552
				Outstanding premiums .. .. .	1,941,855	—	1,962,702	3,904,557
1,091,624	476,413	11,851	1,579,888	Outstanding interest, dividends, rents and fees .. .. .	1,346,002	592,870	20,740	1,959,612
2,703,839	2,669,105	132,138	5,505,082	Interest, dividends, rents and fees accrued	2,925,599	2,711,609	115,746	5,752,954
—	—	1,063,472	1,063,472	Amounts due on reinsurance account ..	—	—	1,125,036	1,125,036
—	—	4,100	4,100	Amounts due from subsidiaries .. ..	—	—	5,966	5,966
205,825	247,006	—	452,831	Sundry brokers for investments sold ..	110,466	81,040	80,443	271,949
2,708,000	3,875,000	—	6,583,000	Estimated income tax recoverable ..	3,338,000	3,980,000	—	7,318,000
196,994	228,381	170,797	596,172	Other debtors .. .. .	201,263	227,298	219,894	648,455
				Balances at Bankers and Cash in hand—				
—	—	—	—	On deposit—				
726,560	—	52,000	778,560	In the United Kingdom .. ..	900,000	900,000	200,000	2,000,000
480,618	836,096	529,260	1,845,974	Out of the United Kingdom .. ..	1,062,665	—	56,409	1,119,074
1,412,618	155,986	546,815	2,115,419	In hand and on current account—				
				In the United Kingdom .. ..	816,023	803,210	173,877	1,793,110
				Out of the United Kingdom .. ..	1,673,581	420,039	543,123	2,636,743
£497,852,548	500,439,366	25,689,956	1,023,981,870		£548,289,922	525,521,941	27,172,359	1,100,984,192
			3,830,474	<b>Common Contingency fund</b> .. ..				3,885,126
			6,272,812	<b>Special contingency fund</b> .. ..				6,382,220
			677,626	<b>Dividend reserve fund (A Shares)</b> ..				690,571
				(per separate Balance sheets)				
			£1,034,762,782					£1,111,942,109

# Current Law

## Creditors Opposing Winding Up

SECTION 346 of the Companies Act, 1948, provides as follows:

'(1) The Court may, as to all matters relating to the winding up of a company, have regard to the wishes of the creditors or contributories of the company as proved to it by any sufficient evidence . . .

'(2) In the case of creditors, regard shall be had to the value of each creditor's debt.'

The extent of the Court's discretion under this provision has been considered in three recent cases. The first was *Re Vuma Ltd* ([1960] 3 All E.R. 629), where the Court of Appeal allowed an appeal by a judgment creditor of the respondent company against the dismissal of his petition for winding up. The petition had been opposed at the hearing by two other creditors whose debts exceeded that of the judgment creditor. It was in evidence that the company was insolvent, that it had no available assets to pay the petitioning creditor's execution debt, that its debts were £3,721 16s 2d, and its capital only £100, and that the only offers of payment made at the hearing would not have resulted in payment of the debts for upwards of two and a half years, even if such offers had been punctually performed.

On those facts, the Court of Appeal considered that the company should be wound up and held that the Court's discretion under Section 346 was not limited to merely having regard to the wishes of a majority of the creditors.

## Opposing Creditors Appeal Dismissed

THE second case under Section 346, also before the Court of Appeal, was *Re P. & J. Macrae Ltd* ([1961] 1 All E.R. 302). The petitioning creditor had the support of eleven other creditors but was opposed by forty-two creditors whose total unsecured debts greatly exceeded the debts of those creditors who favoured winding up. The appellants contended that the County Court judge who tried the case at first instance was bound to dismiss the petition having regard to the number and value of the creditors who opposed it, in the absence of evidence showing special circumstances why effect should not be given to their wishes.

Willmer, L.J., with whom Ormerod, L.J., concurred, held that this ground of appeal would not bear examination, as to say that the Court was bound to dismiss the petition was to deprive it of the discretion conferred by Section 346, and if this were the case, the Court would be left with no judicial function to perform.

It was also contended by the appellants that in so far as the learned judge had a discretion, he exercised it under a mistake of law as to the regard which

ought to have been paid to the wishes of the opposing creditors and in disregard of the principles on which such regard should have been paid. It was said that, as no evidence as to special circumstances had been tendered, the failure of the judge to give effect to the wishes of the majority amounted to a failure to exercise his discretion judicially.

Willmer and Ormerod, L.J.J. (Upjohn, L.J., dissenting), were satisfied that on the facts of the case there was no ground for interfering with the learned judge's decision, since it had not been shown that he had taken into consideration matters which he should not have considered, or had failed to consider matters which he should have considered.

## Wishes of Opposing Creditors Reasonable

THE most recent case under Section 346 is *Re A.B.C. Coupler & Engineering Co Ltd* ([1961] 1 All E.R. 354), where Pennycuik, J., considered and distinguished *Re Vuma Ltd*. The petitioning creditor was opposed by other creditors of the company, and evidence was filed jointly by the company and the opposing creditors which showed that the business of the company, which was long established, was sound and that there were good prospects for the future. The debts of the opposing creditors slightly exceeded that of the petitioner, whose petition was not supported.

The learned judge was satisfied that the wishes of the majority of the creditors were, on the face of them, reasonable, and that the Court ought to follow those wishes in the absence of any special circumstances.

At the date of the hearing, *Re P. & J. Macrae Ltd* had not been reported and it does not seem to have been referred to, but Pennycuik, J.'s, decision appears to be entirely consonant with the views expressed by the Court of Appeal in that case.

## Escrow Cannot be Retracted

THE appellant company in *Beesly v. Hallwood Estates Ltd* ([1961] 1 All E.R. 90), was the landlord of the respondent under a lease which contained an option for renewal. The respondent gave notice that she wished the lease renewed, and a new lease was duly prepared and engrossed. The appellant was advised, after the lease had been executed but before it had been delivered to the lessee, that the option was void for want of registration, and refused to continue with the matter.

The Court of Appeal, affirming the decision of Buckley, J. ([1960] 2 All E.R. 314), held that, as the new lease had been executed by the appellant as an escrow and as the only condition (as Buckley, J., found as a matter of fact and the Court of Appeal accepted) was that the respondent should hand over the counterpart, which she was ready and willing to do, the lease could not now be retracted by the appellant, and the respondent was entitled to have it delivered to her.

**Meaning of 'Moneys'**

THE testator in *Re Trundle, Emanuel v. Trundle and Others* ([1961] 1 All E.R. 103), bequeathed to his two godchildren by name 'any moneys that I have in the bank' to be divided between them. The will contained no residuary gift, but the testator devised certain specified personal estate to E. The testator had in his bank, in addition to a credit balance, 1,000 National Savings certificates, some share certificates, a building society pass book, post-war credit certificates, and a diamond ring. He also had, not in his bank but in his flat, some traveller's cheques which he had bought from the bank. It was conceded that the ring could not pass under the gift of 'moneys', but as regards the other property, apart from the

credit balance in the bank and the traveller's cheques, there was a contest between the godchildren and the testator's next of kin.

Cross, J., applying *Re Prater* ((1888) 37 Ch.D. 481), held that, in the absence of any context which would justify giving them a wider meaning, the words 'any moneys that I have in the bank' covered only the credit balance there; but his lordship held that the expression also covered the traveller's cheques at the testator's flat because he took the view that, if a man asks himself what money he has at the bank, he may reasonably include in his answer not only his credit balance but also any uncashed traveller's cheques which he has bought from the bank with part of that credit balance.

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

**Advertising and Taxation**

SIR, - The Chancellor, in presenting his proposals for changes in taxation, appears to have taken half-bites at two not unrelated cherries, viz. the 10 per cent tax on television advertising and the warning to the business community to restrict its expenditure on entertainment.

The simplest way of meeting the need to preserve a level of taxation which is, in total, deflationary and yet to increase incentives to production, is to broaden the tax base and to reduce the standard rate of tax. A useful step in this direction would be to extend the 10 per cent tax on television advertising to all advertising other than that directed to foreign markets; or, better still, to cease to allow at all such advertising as an expense in the assessment of taxable profits.

Advertising is not an expense of production; nor, generally, of distribution, but merely of allocating a given demand among competing producers. It might be said to have a marginal social or economic value to the extent that (in circumstances not now prevailing in the United Kingdom) it enlivened an otherwise stagnant economy by reminding consumers of elements in a generally improved standard of living which they had so far neglected, and so stimulated economic activity. Advertisements jointly sponsored by all the producers in a particular field, such as those which have appeared in recent years about the products of the brewing and wool industries, might come in that category; but, as a rule, the onus should be on the advertiser to show that his

advertising is of that type, and not simply a claim that he can do anything better than the rest can.

Business entertainment is, of course, a form of advertising. The representative of a firm attempts to enhance its prestige by lavish entertainment in the hope of securing a contract: it should not be difficult to distinguish such expenditure from reasonable travelling expenses and to disallow it for the purposes of taxation as 'advertising'.

Yours faithfully,

Beckenham, Kent.

H. BURNHAM.

**Guildford Cathedral: Chartered Accountants' Appeal**

SIR, - The fund raised by chartered accountants connected with the Diocese has passed the £700 mark and the decorative ceiling above the West Gallery has been allocated as their gift to the Cathedral.

There are still chartered accountants in Surrey who, because it has not been possible to communicate directly with them, or because they have overlooked the letter, have not sent a contribution and who would no doubt wish to do so before the consecration of the Cathedral on May 17th.

Those members of the Institute who have not yet replied are asked to send their donations to W. P. Spargo, Esq., Lloyds Bank Ltd, Guildford, as quickly as possible, so as to raise the total to £1,000 at least.

Yours faithfully,

E. T. THURLOW, F.C.A.

J. GARNETT HARPER, J.P., F.C.A.

Guildford.

**Double Entry**

SIR, - The following remark is attributed to a client who was the subject of a rather serious back duty investigation - 'Double entry? That means one set of books for the Revenue and another set for myself'.

We are,

Yours faithfully,

DEBIT & CREDIT.



# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

## EIGHTIETH ANNUAL MEETING

The eightieth annual meeting of The Institute of Chartered Accountants in England and Wales was held in the Hall of the Chartered Insurance Institute, Aldermanbury, London, on May 3rd. The President, Mr S. John Pears, F.C.A., was in the chair. He was accompanied on the platform by Mr P. F. Granger, F.C.A., the Vice-President; Sir Thomas Robson, M.B.E., B.A., F.C.A., Senior Past President; Sir William Carrington, F.C.A., Messrs W. L. Barrows, LL.D., F.C.A., D. V. House, F.C.A., W. L. Lawson, C.B.E., B.A., F.C.A., and C. U. Peat, M.C., M.A., F.C.A., Past Presidents; Mr A. S. MacIver, C.B.E., M.C., B.A., Secretary; Mr F. M. Wilkinson, F.C.A., Deputy Secretary; Messrs W. M. Allen, B.A., P. Carrel, C.M.G., O.B.E., B.A., C. A. Evan-Jones, M.B.E., and C. H. S. Loveday, F.C.A., Under-Secretaries.

The President's address, printed and circulated in advance, was reproduced in full in last week's issue of *The Accountant*.

### PRESIDENT'S REMARKS

In the course of his remarks relating to his printed address, the President said:

With regard to fees, I have been making during the year statements all round the country on that subject. I should like to repeat once again that the basic principle of getting proper fees is to convince *yourself*. If you convince yourself that your fee is fair, normally you should have no great difficulty in convincing your client. I believe that you will find that to be true, however keen the competition is.

As regards stock-in-trade, this year has seen the issue of Recommendation No. 22, which we believe is a great advance on the previous recommendation. Once again I have gone round the country emphasizing the importance of the valuation of stock-in-trade. This, in my view, is the most important item in the accounts. Unless auditors carry out their duties in that respect, I do not see how they can certify that accounts are true and fair. I should like to mention on this subject that Sir William Carrington and I have been having conversations with the Inland Revenue. They were held up for some time until the decision came out in the *Duple Motor Bodies* case. As a result of these conversations I received yesterday a letter from the Chairman of the Board. This letter will be published towards the end of next week. They have asked for something over 900 copies of the Recommendation, and a copy will be issued to every Inspector of Taxes. I am not allowed to disclose today the whole contents of this letter, which in my view is very satisfactory, but I should just like to read one sentence which appears towards the beginning of it, in which the Chairman says, 'We welcome the guidance given in the Recommendation and find it largely acceptable for tax purposes'.

As regards auditing, we have commenced preparing a series of recommendations on auditing and we hope that the first one will be issued fairly shortly. Some forecast of what is likely to be contained in these recommendations can be obtained by looking at the booklet we issued with regard to building societies, which we hope will have been of some considerable assistance to you.

My speech mentions the work of the Council in connection with company law and documents issued by companies. With regard to documents issued by companies I should like to say in passing that there is sometimes criticism that we do not seem to put first things first; but an immense amount of work comes to the Institute and I think it is the duty of members to bring such matters to our attention. Directly this matter was brought to our attention, within one or two months a satisfactory solution was reached.

The next part of my speech deals with services to the public. I do not think I need repeat any part of that; you can read it for yourselves. There are paragraphs dealing with trustee investments, decimal currency, company law, the Inland Revenue, building societies and friendly societies. Then I mention a less pleasant subject, the accounts of solicitors. We are well aware that the present Solicitors' Accounts Rules and instructions for accountants are not very satisfactory. There are, however, too many cases where accountants certify solicitors' accounts without making the necessary examination to carry out the work satisfactorily and actually, in some cases, even without looking into the accounts at all. We have had a number of cases reported to the Investigation Committee, and recently to the Disciplinary Committee, which were very unpleasant. This is a matter of great regret to the Council.

Then I refer in my address to the public service given by members serving on various bodies and go on to pay tribute to Lord De L'Isle on his appointment as Governor-General of Australia, an appointment which reflects great credit to a member of the Institute.

Next I deal with technical activities, membership of the Institute and the Parker Report on education and training. This will, I hope, be widely read throughout the country during the forthcoming year and will be considered by the district societies; and I hope it will come before the Council for detailed attention next January. In the meantime, if you have any observations to make on it we should be very willing to hear from you.

Then there is the Public Relations Committee, which is now in full swing. I believe that in the long run this committee will have a great deal of effect in promoting the services which we can render to the public and it should be of considerable service to small practitioners.

I come now to the question of registration. As this is starting to appear in correspondence and has, of

course, been gone into a number of times before, I should like to read one or two short extracts from my speech. In the first paragraph I say:

'In fact, of course, Parliament would never contemplate passing a registration measure except on the basis that it is necessary for the protection of the public. In my view, chartered accountants would stand to lose rather than to gain from a registration measure but in the public interest we were fully prepared to accept that position when we took a leading part in the formulation of the Public Accountants Bill of 1946.'

In the second paragraph I mention that for the first time the 1948 Act introduced provisions relating to qualification for appointment as auditor and that the effects of the provisions were in certain ways contrary to the provisions in the Bill which we had been backing before that. Consequently the Bill had to be withdrawn, but we did at that time try very hard to get a substitute Bill which would cover the point; in the third paragraph I say:

'After the abandonment of the Bill further strenuous efforts were made by the recognized bodies in conjunction with the Board of Trade with the object of preparing a simpler form of legislation. Unfortunately these efforts were unsuccessful because it was quite impracticable to arrive at any statutory definition of "accountancy" which would be generally acceptable bearing in mind the number of people who, though not capable of being brought within a registration measure, nevertheless undertake work of a kind done by practising accountants. For example, taxation work has been done for many years by solicitors, estate agents, retired Inland Revenue officials, banks and others and there is no possibility of Parliament depriving them of the freedom to do taxation work merely because accountants regard themselves as the most competent persons to perform such work.'

I then add that:

'the conclusion which the Council reached some years ago, after ten years' work in conjunction with the other recognized bodies, was that it was not possible to introduce a registration measure which would be of benefit to the public and satisfactory to the profession. Those who worked so hard were very disappointed to have to admit defeat; but defeated they were in spite of their efforts and enthusiasm.'

We have already got Section 161 of the Companies Act dealing with public companies and I told you at Guildhall [at the eightieth anniversary banquet] that 99½ per cent of public companies' accounts were audited by chartered accountants—members of this body and of the Scottish and Irish Institutes. We have now put the matter before the Jenkins Committee for the section to be extended to exempt private companies of which there is an enormous number. I personally am reasonably optimistic about it. Then we can turn to the position regarding business accounts submitted for tax purposes.

I might mention, perhaps, in connection with our talks with the Inland Revenue, Sir William Carrington and I, that one matter dealt with was the subject of delays in accounts and returns. We are accused of delay in dealing with Inland Revenue affairs, but after

consulting the districts we were able to give certain statistics with regard to members' offices which showed a much better position than statistics supplied by the Inland Revenue with regard to taxation work as a whole.

The Revenue have asked us to ask the profession to make every effort to clear away arrears and we on our part have pressed them to put more work in the way of chartered accountants, and away from unqualified people and those without suitable knowledge and experience. We have also pressed for them to agree that when a taxpayer changes to a chartered accountant, the Inspector should not double his requests for information. We put this point very forcibly to them, but to what extent we shall be successful I do not know. However, these friendly conversations which we have had with the Inland Revenue will, I think, continue and this is a point which we shall constantly bring to their notice.

I now propose and will ask the Vice-President to second the adoption of the report of the Council and the accounts for the year ended December 31st, 1960.

Mr Granger, the Vice-President, seconded the resolution after which the President invited questions from members.

## DISCUSSION

**Mr G. M. Collier, F.C.A.:** On the subject of fees, you have told us that we ought to value our services more highly, and you referred to speeches you have made around the country. I wonder if I might refer to one of them—the one at Manchester—where you said that unless the standard of fees was raised substantially new entrants to the profession could not be retained. There was clearly a case for concerted action, but apart from telling us, sir, that registration is not the answer, has the Council any suggestion to offer in the way of concerted action in relation to small practitioners' fees?

**The President:** I understand that some concerted action has already been started in Manchester. Some firms have already taken it up but I do not know the result of that yet; no doubt you could find out from your district society.

**Mr S. L. T. Crawford, F.C.A.:** In lieu of registration as a remedy for the plight of the provincial practitioner—and I can assure you, sir, we are not very happy—you bring forward two points. One is Section 161 of the Companies Act, 1948, and the extension of that, but that does not get anywhere near the root of the problem. Virtually the whole of my practice is private firms—not companies—and I would suggest that the 1961 Finance Bill will lead to even fewer private companies than previously. Secondly, you suggest that only recognized accountants should be eligible to appear on tax appeals. The answer to that is simply that the unqualified practitioner will be unable to take any appeals and his clients will get even worse treatment than they do now. You are suggesting something which is contrary to the public interest. Has the Council any suggestions to bring forward in the way of helping the country practitioners?

**The President:** I think I will leave that question open because someone else may ask a question on this.

**Mr J. R. Mackenzie, F.C.A.:** The Appointments Register. People who were seeking appointments used to be able to write in for the names of firms to write to, but I have heard that it differs now, in some respects, to the method used previously. I have heard no observations to justify a change.

**The President:** This, in effect, was a reversion to the previous practice. It had been changed and it was found that it did not result in a satisfactory number of appointments being achieved. I am told—I know very little about the

subject—that the method to which we have reverted is more satisfactory for obtaining suitable appointments for members.

**Mr Mackenzie:** May I ask a supplementary question? From whose point of view was it unsatisfactory? Has the number of people making use of registration dropped?

**The President:** The number of appointments has dropped, I understand. I feel that that is not due to the change in the system but to the great shortage of accountants for filling the posts that are offered and to the fact that those who are seeking accountants of all calibres find it better to do their own advertising. I do not think it is due to any change in the system, but I know very little about the subject. I have no objection to your point of view being put to the appropriate committee.

**Mr F. A. Roberts, F.C.A.,** said that he had been doing some research in his spare time in regard to prospectuses. He had been in touch with a number of City institutions, one of which was the Share and Loan Department of the Stock Exchange. Soon after the introduction of the Companies Act, he said, the Council thought it desirable to take the opinion of an eminent Chancery counsel, Mr Cyril Radcliffe, as he then was, who advised that future tax was not a liability of a company and therefore could not be a provision. The Council have included that opinion in the *Members' Handbook*. It had become the established practice with prospectuses to show substantial sums of money deducted from the assets in respect of future taxation, but Mr Roberts said, he could not understand the point at all. The Third Schedule required a statement of assets and liabilities. Eminent counsel had advised that future taxation was not a liability. Why were the assets depleted by something which was not a liability? What was the effect of that? City editors, said Mr Roberts, look at the assets and draw the conclusion that there is a considerable element of goodwill. That, he suggested, was a misstatement and he would go so far as to say that if he was on the board of a company which put a new issue on the market he would be inclined to feel that his company had been heavily damaged by having its assets decreased by what he estimated was between 25 and 33 per cent of the true asset value.

**The President** said future taxation was a matter that had been debated between accountants for many years. He said he was sometimes a little bit of a rebel and in his opinion the Council were perhaps foolish to take counsel's opinion on that particular point; this was a matter of accounting, and why accountants have to consult lawyers, however eminent, on matters of accounting he had never been able to understand. Mr Roberts had said that assets were affected by 25 per cent in a large number of cases, but to show net assets before deducting something which had to be paid out whatever happens, seems to Mr Pears to be grossly misleading. His point of view was that the practice which had grown up was the correct one.

**Mr Roberts:** You say you are opposed to being guided by the legal profession. I venture to suggest that the statutory wording in the Companies Act must be a matter which we must comply with and unless we are going to be guided on legal matters by lawyers it is difficult to say that the legal profession is a sister profession of ours.

**The President:** Mr Roberts, may I remind you that there was a prospectus on one occasion which contained no statement which was untrue, but the prospectus as a whole was found to be misleading. I think, really, accountants should be able to make up their own minds on this.

I will now come back to the question put by Mr Crawford which has not been dealt with. The reason why I do not believe in registration is that I believe that the lot of the small practitioner would be worse than it is today. First of all, I do not think you will get registration for the reasons I have given in my printed speech. In the second place, I believe that to get any form of registration you will have to let so many other people in, that all the people who are in competition with you now will be in competition with you

still, but with enhanced status. I am well aware of your difficulties and am very sympathetic to them, but I do not think this is the answer.

At the Council meeting only this morning we had two items on the agenda which were designed entirely to help the small practitioner. We are interested in the small practitioner—very interested—and we will try to help you in every way we can which is a practical way; but in my considered view registration is not the correct way and would not in effect help you.

**Mr Crawford:** Surely the effect of registration would be to limit the number of unqualified practitioners in the future, which is my issue. Now they are flooding in without any restraint whatsoever. Surely that is an important aspect of it.

**The President:** The position as I see it is that you will never get a definition of accountancy which will prevent that practice. You do not, in fact, stop anybody drawing up a will because solicitors have an Act. I do not think it is practicable to stop it. My honest belief is that you have not the slightest chance of getting a measure through which would help you. I started originally strongly in favour of registration, when I first came on the Council but hard facts have proved to me that it is just not possible.

**Mr R. Barlow, V.R.D., F.C.A.:** If it is difficult it is therefore surely so much more worthwhile trying to achieve. I speak as a country practitioner and I know the problems which Mr Collier has encountered—as I have. It is a matter of some importance to the country practitioner because nine-tenths of his practice has absolutely nothing to do with company work.

**The President:** Even exempt private companies?

**Mr Barlow:** Yes.

**The President:** Once again I repeat that in my own opinion it is not practicable. The fact that a thing is difficult has never prevented me from trying. If there was the slightest chance, I would try, but in my personal belief, there is no chance whatever.

**Mr Collier:** There is a very strong body of opinion amongst practitioners that it would be a good thing if the Council addressed themselves to this matter. After all, 1953 is eight years ago and many of our problems have changed since that time and I think we would regard it as being in the public interest that registration should come, and there is a strong case for it. If, in fact, members of the Council do not believe it would be in the public interest to have some tightening up I would suggest that they go along to the Board of Trade sitting at Bow Street and find out what the people there think of accountants at the end of 300 prosecutions in a day.

**The President:** In my speech I refer to what Sir Thomas Robson said at the annual meeting in 1953. He said that if some practical proposal for a new solution were to become available, we should be happy to co-operate with the other recognized bodies in examining it; but he felt bound to emphasize that some new element would be necessary and that merely to retread ground which had already been thoroughly explored would not serve a useful purpose. That is our attitude today.

**Mr Collier:** I understood you to say that you would be willing, if there was a sufficient body of opinion, to reconsider it.

**The President:** I personally would. I have not consulted my colleagues. If there was a very strong demand in this hall for this matter to be referred back to a committee of the Council, I would not oppose that, if that is your wish.

**Mr Collier:** This gathering cannot be considered representative of the country members as the majority of them cannot spare the time to come to London. The Council must be unaware of many of the activities of unqualified practitioners.

**The President:** We are well aware of them. We know the problem; the difficulty is to find a solution. I have not

consulted my colleagues about this particular subject but I am perfectly willing, if you so wish, that this point should be referred back to the General Purposes Committee for consideration.

**Mr Collier:** I should like to move, sir, that that should be done. I do feel that there is a very strong body of opinion not only on the question of registration but the question of the position of the small practitioners also.

**The President:** The position of the small practitioners is considered at practically every meeting. It is one of the points that the Council has constantly under review.

**Mr Collier:** What bewilders us here is that after all this constant consideration we are given nothing but ineffective guidance. We are told that registration is not the answer. We are told we must in some sense get together and that concerted action is the answer. We have no guidance from you or leadership, which is what we want.

**The President:** It is very easy to sit down and criticize. I have said this round the country. Can you give one practical suggestion of what you want us to do? The result of my remarks round the country has produced one practical suggestion which is under consideration and which I think may be a great help to the small practitioner. But I have had only this one practical suggestion and I should very much welcome any practical suggestion.

**Mr Collier:** Many of us think that steps should be taken towards registration. The Council is in the position of having all the facts but they have not been able to give us any guidance. This is a matter of life and death to the small practitioner and any guidance you could give would be of great help to us.

**Mr Crawford:** I suggest the solution is to have some small practitioners in the Council Chamber.

**The President:** All members of the Council are not members of large firms by any means. What I have been told all round the districts is that they find it exceptionally difficult to get any small practitioner to take any part in district affairs and the proper place to get this raised surely is the districts. If the small practitioner, instead of doing a moan will go to the districts and make constructive suggestions, that is where things can be done. If the small practitioner can get on to the Council through the normal channels of the districts he will be very welcome.

After further brief discussion, the President put to the meeting the resolution for the adoption of the report and accounts which was carried unanimously.

### Appointments to the Council

The appointment of five members of the Council, Mr J. F. Allan, Mr E. H. Davison, Mr E. N. Macdonald, Mr J. D. Russell and Mr F. J. Weeks, to fill vacancies arising since the last annual meeting, was confirmed.

**The President:** We now come to the election of eleven members of the Council.

**Mr W. A. C. Smelt, O.B.E., F.C.A.** questioned the form of the notice in connection with the elections. It appeared to him that the Council had been rather undemocratic in the way the notice had been phrased. The names of the retiring members eligible for re-election were listed; then followed a separate paragraph relating to Mr Barlow's nomination. The President had spoken earlier of welcoming the assistance of members of small firms. But it was clear that here they were saying that these were the gentlemen nominated for election and it was the first eleven who should be elected.

**The President:** May I give you an explanation on that point? There are fifty-five seats on the Council of which ten are reserved for the ex-Society Council members as part of the integration scheme; this leaves

forty-five, of which five are reserved for members not in practice. The remaining forty are allocated over the districts. So many from Birmingham, so many from London and so on. Before anyone is elected to the Council when there is a vacancy, the particular district concerned is consulted and they put forward nominees, usually two, in the order in which they wish them to be elected. And almost universally the top nominee is elected to the Council. Then they come up for confirmation at the next annual meeting. When the five-year period is up and they come up for re-election the district is again written to and we ask if they wish to put up anybody else. So if somebody comes up through a different channel, like the suggestion here, it completely upsets the scheme in that some district will be deprived of its representation. It is for that reason, and not because we have anything against Mr Barlow, that we oppose his election.

The President asked Mr Barlow whether he wished to stand for election and Mr Barlow replied that he did.

The President then directed that the voting paper should be completed and passed to the Institute's auditors, who were taking charge of the collection and counting of papers.

### Appointment of Auditors

It was agreed that the remaining business should be transacted while the voting papers were being counted.

On the proposition of Mr Crawford, seconded by Mr Collier, the auditors, Mr L. W. Bingham, F.C.A., and Mr Leonard Pells, M.A., F.C.A., were reappointed for the ensuing year.

The President then moved:

'That this meeting approves the action of the Council in having given 1,000 guineas from the funds of the Institute to the Leo T. Little Memorial Fund.'

This was seconded by the Vice-President and unanimously approved.

The meeting was then adjourned to await the counting of votes and the special meeting reported below was held.

After the annual meeting had been resumed, the President was handed a statement by the auditors showing the result of the voting for election of members of the Council, which the President read: Mr T. A. H. Baynes, 188, Mr D. A. Clarke 189, Mr W. G. Densem 193, Mr P. F. Granger 186, Mr H. O. Johnson 182, Mr H. L. Layton 181, Mr C. U. Peat 182, Mr J. E. Talbot 179, Mr A. H. Walton 179, Mr Victor Walton 175, Mr E. F. G. Whinney 183 and Mr Robert Barlow 71 votes. The President declared the first eleven members elected.

Mr Barlow asked whether the President would be prepared to see whether there were enough members present who were willing to support Mr Barlow in demanding a poll of all members. The President said that twenty-five signatures were required in accordance with the bye-laws. At Mr Barlow's request the President asked for a show of hands by those who would support a poll and there were not twenty-five members present who were prepared to do so.

### Vote of Thanks to the President

**Mr J. M. Harvey, M.B.E., F.C.A.:** Mr President, before the meeting is closed I would ask your permission to say a few words. To represent a district society as its President for a year is a great honour but

when it leads to an invitation to speak at this meeting, at this time and on this subject it is, indeed, an even greater privilege.

You, sir, as President of our Institute during the past year, have, in carrying out your many arduous duties, maintained the very high standard set by your predecessors. You have travelled far and wide during the year. North, south, east – east as far as Pakistan – and as far west as Broadcasting House! During this year, the introduction of the Public Relations Committee as a standing committee of the Council and the progress of the Parker Committee have been stepping-stones in the development of our profession in which you have taken especial interest and your encouragement to our members to require fees of a proper standard is something which we all greatly appreciate.

It has been the privilege of some of us present here to be your guests, to be your fellow-guests and also to be your hosts, and I would remark particularly on your very friendly approach to us all. It must, I think, be the daily dose of tennis, quite apart from your natural charm, that makes you so even-tempered in the

midst of exacting commitments. That I have, perhaps quite justly, been accused by you on occasion of keeping you in conversation far into the night, or should I say 'morning' is something for which I cannot sincerely offer any apology as it has always been such a very great pleasure to talk to you informally after the more formal part of each of these occasions.

You will surely be able to review the past year in the knowledge of great achievement and also I would like to thank you for your careful and friendly conduct of this meeting. It is with the greatest possible pleasure, Mr President, that I move, put to this meeting and ask you to accept a very sincere vote of thanks. (*Carried with acclamation.*)

**The President:** Thank you, Mr Harvey, very much indeed for your very kind remarks. It has been a great pleasure to go round to all the districts and to see you and the other district presidents. I should like to add that personally I like criticism and I think it is very valuable that members should come to this meeting and raise points even although I do not always agree with them. Thank you all very much. (*Applause.*)

## SPECIAL MEETING

Two resolutions were submitted to members at the special general meeting of the Institute. The effect of Resolution No. 1 is to replace most of the references to 'England and Wales' and 'England or Wales' in the Royal Charters and bye-laws by references to 'the United Kingdom'; the purpose being to enable members in public practice in Scotland and Northern Ireland to take articled clerks under the same conditions as members in public practice in England or Wales. As a consequence, all members resident in Scotland or Northern Ireland will be required to pay annual subscriptions at the same rates as those in England and Wales instead of, as hitherto, the rates applicable to overseas members.

Before formally proposing the resolution, the President said that the matter was raised at last year's annual meeting and he was glad to be able to announce

that a satisfactory arrangement had been made after consultations with the Scottish and Irish Institutes.

The Vice-President seconded the resolution, which was carried unanimously.

The President then moved Resolution No. 2 altering Bye-law 63 to remove the war service requirement in relation to applications by former regular officers of the Forces for exemption from the Preliminary examination and a reduction in the period of service under articles.

The resolution was seconded by the Vice-President and was carried unanimously.

Resolution No. 1 has to be confirmed at a subsequent meeting of members which is to be convened on June 7th, 1961, at 2 p.m. Resolution No. 2 does not require a confirmatory meeting. Both resolutions have to be approved by the Privy Council.

## SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, May 3rd, 1961, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr S. J. Pears, President, in the chair; Mr P. F. Granger, Vice-President; Messrs J. F. Allan, E. Baldry, O.B.E., C. Percy Barrowcliff, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, E. Hay Davison, W. G. Densem, S. Dixon, W. W. Fea, Sir Harold Gillett, Bt., M.C., Messrs J. Godfrey, G. G. G. Gault, L. C. Hawkins, J. S. Heaton, D. V. House, J. A. Jackson, H. O. Johnson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., C. U. Peat, M.C., F. E. Price, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, D. Steele, C. M. Strachan, O.B.E., J. E. Talbot, A. H. Walton, V. Walton, F. J. Weeks, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright, Sir Richard Yeabsley, C.B.E.

### Welcome to New Members

The President welcomed Mr J. F. Allan, Mr E. Hay Davison and Mr F. J. Weeks, who were attending for the first time as members of the Council.

### Eighth International Congress of Accountants

The Council authorized the preparation and issue to members of a notice giving details of the Eighth International Congress of Accountants to be held in New York from September 23rd to 27th, 1962.

### The Institute of Chartered Accountants of Manitoba

The Council resolved that a message of congratulations and good wishes be sent to the Institute of Chartered Accountants of Manitoba on the occasion of the seventy-fifth anniversary of its incorporation on May 28th, 1886.

### Overseas Visitor

At the conclusion of its meeting the Council was pleased to welcome Mr J. A. Wilson, the President of the Canadian Institute of Chartered Accountants, who was on a visit to this country.

### Inland Revenue: Treatment of Stock-in-trade and Work in Progress for Tax Purposes

The President reported on a discussion which he and Sir William Carrington, F.C.A., had had with the Board of Inland Revenue, and arising out of the discussion a letter had been received from the Chairman of the Board, Sir Alexander Johnston, K.B.E., C.B., regarding the Council's Recommendation 22 on the treatment of stock-in-trade and work in progress in financial accounts. The Council authorized publication of Sir Alexander Johnston's letter which reads as follows:

(1) We agreed in our recent discussions about stock valuation that it would be useful if I set out the Revenue's attitude to the Institute's Recommendation 22 on the treatment of stock-in-trade and work in progress in financial accounts.

(2) We welcome the guidance given in the Recommendation and find it largely acceptable for tax purposes. I should, however, like to make some comment on the question of overheads, and we have certain reservations to record in regard to 'net realizable value' and 'replacement price'.

(3) *Overheads.* The decision of the House of Lords in the *Duple Motor Bodies* case has given prominence to the 'direct cost' method, i.e. the exclusion of all overheads in computing the cost of stock. I think, however, we are agreed that the decision should not be taken as encouraging the exclusion of overheads where there has been no relevant change of circumstances. The House of Lords stressed the importance of consistency and the need to show good reason for any change. The Recommendation also is emphatic on this point (paragraph 33).

(4) Our information, which you and Sir William Carrington confirmed from your own experience, is that in fact the great majority of manufacturing concerns include some measure of overhead expenditure in computing the cost of stock. We were glad to hear that in your personal opinion variable overheads ought to be included in the general run of manufacturing businesses, and indeed that in a substantial number of cases it is appropriate to include fixed overheads - some or all, depending on the circumstances (excluding, of course, selling and finance and other expenses which do not relate to the bringing of stock to its existing condition and location). We, for our part, agree that there are circumstances in which the proportion of fixed overheads to be included may need to be adjusted by reference to the normal level of activity.

(5) *Net realizable value.* In general we accept what is said in the Recommendation on this subject. Our reservation relates to the deduction which is recommended for 'all expenditure to be incurred on or before disposal' (paragraph 13). We do not agree, as a matter of principle, that general selling costs to be incurred in the future should be allowed for. This, however, does not mean that we should not be

prepared in practice, where the circumstances warrant it, to accept a deduction for specific identifiable items of expenditure directly connected with the stock in question, including provision for commission and brokerage which have to be incurred on sale.

(6) *Replacement price.* The general principle as stated by the Courts is that stock may be valued below cost in order to anticipate a loss; the advice given in the Recommendation is also to the effect that provision should be made for expected losses. Our objection to replacement price is that it may be less than actual cost where no loss is expected but only a smaller profit, and for that reason we do not consider that it is generally acceptable for tax purposes as an alternative to actual cost or net realizable value.

(7) It is, however, already the Revenue's practice to accept valuation at replacement price in the case of stocks of raw materials awaiting processing, since in this case replacement price is substantially the same as net realizable value. You asked us to go further than this, and drew our attention to certain industries in which the value of the raw material content forms a high proportion of the total value of stock in process of production and the price of the raw material is liable to considerable fluctuation. You pointed out that in these cases it is common practice to make rapid changes in selling prices to accord with changes in the price of the raw material. In view of what you said, we should be prepared in cases of this kind, where the relevant items are not covered by firm sales contracts, to accept replacement price for stock in process of production and finished stock as well as for stocks of raw material.

### Refusal to Register Articles of Clerkship

An articulated clerk whose articles have been cancelled because of theft by him has been informed that further articles to which he is a party will not be registered.

### May 1961 Examinations

#### *Date of notifying results to candidates:*

With effect from the May 1961 Intermediate and Final examinations the posting of individual results to candidates will be brought forward. This earlier notification will be limited to informing candidates whether they have passed or failed the examination and will not be for publication. Successful candidates will later receive a formal notice of their passing the examination, details of any prize awarded and, in the case of candidates at the Intermediate examination, the place taken; unsuccessful candidates will later receive a formal notice showing their performance in individual papers. In both cases these notices will be sent as soon as possible after the results of the examinations are known.

Below is shown the time-table which, subject to unforeseen circumstances, relates to the May 1961 Intermediate and Final examinations (with a comparison with the arrangements as notified in the booklet *General Information and Syllabus of Examinations*).

No change is proposed in the present arrangements relating to the notification of results to candidates at the May 1961 Preliminary examination of the Institute or

#### *Revised Programme*

Posting of individual results to candidates (limited to passing and failing only).

Pass notices to successful candidates and failure notices to unsuccessful candidates.

Publication of printed list of successful candidates.

For receipt by post on Thursday, July 27th, 1961 (or as soon as possible thereafter).

For receipt by post on Saturday, August 12th, 1961.

12 noon on Wednesday, August 16th, 1961.

#### *Present Programme*

(For receipt by post on Saturday, August 5th, 1961).

(12 noon on Wednesday, August 9th, 1961).



at the May 1961 Final examination of the Society. Candidates at these examinations may therefore expect to receive individual notices by post as follows:

Preliminary examination of the Institute:

Friday, July 14th, 1961.

Final examination of the Society:

Thursday, July 27th, 1961.

In the case of these two examinations the names of successful candidates will be published with those of successful candidates at the May 1961 Intermediate and Final examinations of the Institute, at 12 noon on Wednesday, August 16th, 1961.

### Registration of Articles

The Secretary reported the registration of 123 articles of clerkship during the last month, the total number since January 1st, 1961, being 862.

### Admissions to Membership

The following were admitted to membership of the Institute:

Ashcroft, Thomas, A.C.A., 1961; 10 Ruskin Street, Preston.  
 §Banchetti, Lamberto Vincenzo Albino, A.S.A.A., 1961; 10 Cheltondale Court, Cor. Cheltondale and Dovedale Roads, Cheltondale, Johannesburg.  
 Clark, Stanley, A.C.A., 1961; 171 Windsor Road, Ilford, Essex.  
 Davies, Peter, A.C.A., 1961; 3 Rosina Grove, Grimsby.  
 Fisher, David Stanley, A.C.A., 1961; 32 Cricketfield Grove, Leigh-on-Sea, Essex.  
 Harbottle, Philip Richard Milnes, B.A., A.C.A., 1961; 129 Middle Drive, Darras Hall, Northumberland.  
 Harkey, Thomas Robert Godfrey, A.C.A., 1961; with Spicer & Pegler, 19 Fenchurch Street, London EC3.  
 Kemp, John Stevenson, A.C.A., 1961; 16 Skirbeck Road, Gillshill, Kingston upon Hull.  
 Kent, Ronald Victor, A.C.A., 1961; 80 Waldegrave Road, Green Lanes, Goodmayes, Essex.  
 §Muller, Alfons, A.S.A.A., 1961; 8 Hyde Park Terrace, Pretoria Road, Craighall Park, Johannesburg.

One application for admission to membership was refused.

### Fellowship

The Council acceded to applications from twelve associates to become fellows under clause 6 of the supplemental Royal Charter.

### Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Adler, Bernard, A.C.A., 1960; Bernard Adler & Co, 17 Fairfield Avenue, Edgware, Middlesex.  
 Akester, James Raymond, A.C.A., 1951; Rhodes, Stringer, Ingham, Clare & Co, 39 and 45 Well Street, Bradford 1.

*a* indicates the year of admission to the Institute.

*aS* indicates the year of admission to the Society of Incorporated Accountants.

§Means 'incorporated accountant member'.

Firms not marked † or \* are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Allsopp, Arthur Leonard, F.C.A., 1946; \*Bradford, Allsopp & Co, 19 College Hill, Shrewsbury.

Anthony, Hugh Dene, A.C.A., 1958; Edmund D. White & Sons, 378/80 Salisbury House, London Wall, London EC2, and at Liverpool.

Armstrong, Norman Albert, A.C.A., 1958; Harry L. Price & Co, 47 Mosley Street, Manchester 2.

Aynge, George Law, F.C.A., 1930; 80 Booth Road, Waterfoot, Rossendale, Lancs.

Bailey, Malcolm Geoffrey Lowndes, F.C.A., 1938; †Jenks Percival & Co, 14 Finsbury Circus, London EC2.

Baskin, Ronald, A.C.A., 1952; N. N. Pampel, Baskin & Co, 130 High Holborn, London WC1.

Beirne, John, A.C.A., 1952; †Fawcett, Brown & Pinniger, Windover House, St Ann Street, Salisbury, Wilts.

Bladen, Robert Clement, A.C.A., 1953; Bournier, Bullock & Co, Federation House, Station Road, Stoke-on-Trent, for other towns see Bournier Bullock & Co.

Boddington, Richard Stewart, M.A., A.C.A., 1957; Garnett, Crewdson & Co, 7 Norfolk Street and 61 Brown Street, Manchester 2.

Bowles, Charles Henry, F.C.A., 1948; †Wall & Tanfield and Fox & Co, 4 Vicarage Road, Edgbaston, Birmingham, 15, and at Dudley.

Brazier, Robert William, F.C.A., 1949; †Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London EC2.

Butler, David, A.C.A., 1954; Peters, Elworthy & Moore, Norwich Union Buildings, Downing Street, Cambridge, and at Saffron Walden.

Cann, Walter Cyril, A.C.A., 1951; Reads, Cocke & Watson, Leith House, 47 Gresham Street, London EC2; also at Guernsey, G. N. Read, Son & Cocke.

Chadwick, Raymond Leslie, A.C.A., 1956; Cadwallader & Co, Eagle House, Severn Street, Welsphpool, Montgomeryshire.

Chappell, Kenneth, M.A., A.C.A., 1960; Heathcote & Coleman, 69 Harborne Road, Edgbaston, Birmingham 15.

Charlton, Robert Joseph, B.A.(COM.), A.C.A., 1957; Harry L. Price & Co, 47 Mosley Street, Manchester 2.

Cheetham, Jack, A.C.A., 1952; Bournier, Bullock & Co, Federation House, Station Road, Stoke-on-Trent, for other towns see Bournier, Bullock & Co.

Cowley, George Ridgeway, A.C.A., 1953; 212 Verdant Lane, London SE6.

Croft, Albert Henry, A.C.A., 1956; George Bowthorpe & Co, 47 Croydon Road, Caterham, Surrey.

Cummings, Keith Dudley, A.C.A., 1958; \*Rogers, Son & Spencer, Bank Chambers, 1 Bluecoat Street, Nottingham.

Davies, David Austin, A.C.A., 1959; Thomas & Honeywell, Old Greystones, Newbridge, Mon., and at Usk.

Donovan, Michael James, A.C.A., 1956; Kingsford, Garland & Co, 23 Essex Street, Strand, London WC2, and at Maidstone.

Drinkwater, Michael Samuel, A.C.A., 1957; Scattergood, Drinkwater & Co, and T. B. Scattergood & Co, 125 Edmund Street, Birmingham 3.

Dunning, Norman, A.C.A., 1957; Robert Miller & Co, Jubilee Buildings, Newbottle Street, Houghton-le-Spring, Co. Durham.

Eades, Colin William, A.C.A., 1956; Weeks, Green & Co, 21 Cumberland Place, Southampton.

Edmeades, Thomas, A.C.A., 1960; Westcott, Maskall & Co, 33 Catherine Place, London SW1.

Edwards, John, F.C.A., 1949; Crompton & Co, 42 Queen's Road, Coventry.

Elcombe, Graham Ralph Stuart, M.A., A.C.A., 1957; Reads, Cocke & Watson, Leith House, 47 Gresham Street, London EC2, also at Guernsey, G. N. Read, Son & Cocke.

Ellison, Leo James, A.C.A., 1960; F. A. Whiteley & Co, 33 Rectory Road, Abbey Hey, Manchester 18, and at Hazel Grove.

Fautley, John Bernard, A.C.A., 1956; \*Fautley & Co, 276 Woodgrange Drive, Southend-on-Sea, Essex, and at Leigh-on-Sea.

Field, Reginald Henry, A.C.A., *aS1953*; H. Davies & Co, Tudor House, Broad Street, Wolverhampton.

Freeman, Michael Asher, A.C.A., *a1959*; Curitz, Littlestone, Freeman & Co, Cambria House, Wyndham Street, Bridgend, Glam.

Fry, John, A.C.A., *a1961*; W. Rowlands, Fry & Son, 115 Moorgate, London EC2, and at Whetstone.

Gallop, Leslie James, A.C.A., *a1951*; †Dammers & McCormick, Abbotts Fee, Greenhill, Sherborne, Dorset.

Gleve, John Lionel, A.C.A., *a1954*; Campbell & Co, 87 Tetterhall Road, Wolverhampton.

Grace, Cyril John, A.C.A., *a1955*; 'Rose Bungalow', Crown Avenue, Pitsea, Basildon, Essex.

Greenwood, Alan, A.C.A., *a1956*; Kneeshaw, Moffatt & Co, 6 Grimshaw Street, Burnley, and at Blackpool.

Gurney, John Michael Anthony, B.A., A.C.A., *a1954*; †Fawcett, Brown & Pinniger, Windover House, St Ann Street, Salisbury, Wilts.

Hammond, Edward Glyn, A.C.A., *a1960*; E. W. Hammond, Raw & Co, Feethams South, 70 Victoria Road, Darlington.

Hibbert, James Lambert Roger, A.C.A., *aS1957*; Wilson, Hibbert & Co, Savoy Chambers, Wellington Street, Stockport.

Holland, John Clifford, A.C.A., *a1952*; Bourner, Bullock & Co, 17 Albion Street, Hanley, Stoke-on-Trent, for other towns see Bourner, Bullock & Co.

Hopkins, Robert David, A.C.A., *a1961*; James Todd & Co, 781 Salisbury House, London Wall, London EC2, and at Chichester.

Hughes, Geoffrey Brian Clifford, M.A., A.C.A., *a1953*; Wilde, Ferguson-Davie & Miller, 120 Moorgate, London EC2, and C. J. Hughes & Co, 27/28 Finsbury Square, London EC2.

Johnstone, Donald Peter, A.C.A., *aS1953*; Bourner, Bullock & Co, Federation House, Station Road, Stoke-on-Trent, for other towns see Bourner, Bullock & Co.

Jones, Eric Alfred Crawford, F.C.A., *a1935*; Kemp, Chatteris & Co, St Swithin's House, Walbrook, London EC4, and at Port Louis, Mauritius.

Jones, John Trevor, A.C.A., *a1958*; Kneeshaw, Moffatt & Co, 6 Grimshaw Street, Burnley, and at Blackpool.

Kinnear, Kenneth Francis, A.C.A., *a1954*; Ridsdale, Cozens & Purslow, Hatherton Buildings, Hatherton Road, Walsall.

McAllister, Gordon, F.C.A., *aS1948*; Martin, Farlow & Co, 27/28 Finsbury Square, London, EC2.

McAuley, David Charles, B.Sc.(ECON), A.C.A., *a1960*; James Todd & Co, 781 Salisbury House, London Wall, London, EC2, and at Chichester.

Marsden, Keith, F.C.A., *aS1947*; Jacques & Stirk, 9/11 Henry Street, Keighley, Yorks.

Miller, Cyril Reginald, F.C.A., *a1949*; Bourner, Bullock & Co, Federation House, Station Road, Stoke-on-Trent, for other towns see Bourner, Bullock & Co.

Moorcraft, Ronald Gordon, A.C.A., *aS1956*; Pike, Russell & Co, Western Chambers, Western Road, Romford, Essex.

Muskett, Brian David, A.C.A., *a1959*; Leslie Muskett & Co, 20 Wormwood Street, London EC2.

Musson, William John, D.F.M., F.C.A., *a1947*; Freeman, Bream & Co, Bank Chambers, Town Hall Square, Leicester.

North, Harold, A.C.A., *aS1953*; Beevers & Adgie, 23 Cheapside, Cleckheaton.

Page, Derek George, A.C.A., *aS1953*; Lithgow, Nelson & Co, 39 New Broad Street, London EC2, and at Liverpool and Southport.

Pearce, James Peter, F.C.A., *a1949*; 121 St Peter's Street, Derby.

Pins, Michael Allan, A.C.A., *a1958*; 14 Stafford Road, Southsea.

Platt, Bryan Unsworth, A.C.A., *a1954*; Cooper & Cooper, 10 & 12 Bowkers Row, Bolton, and at London and Manchester.

Rees, Hugh Anthony, A.C.A., *aS1955*; Griffith & Miles, 28 Mackenzie Street, Slough.

Roberts, Anthony, A.C.A., *a1957*; Chaloner, Roberts & Co, 12 St Peter's Square, Stockport.

Rossi, David Martin, A.C.A., *a1960*; Rossi & Rossi, 60 London Street, Norwich, Norfolk, NOR 02E, and at Diss.

Saville, Robert, F.C.A., *a1931*; Bourner, Bullock & Co, 17 Albion Street, Hanley, Stoke-on-Trent, for other towns see Bourner, Bullock & Co.

Shadbolt, William John, A.C.A., *a1959*; T. & H. P. Bee, 26 Edward Street, Blackpool, and at Fleetwood.

Sheena, Abraham Albert, A.C.A., *a1961*; Maurice Apple & Co, 1 Hyde Park Place, Marble Arch, London W2.

Smith, Michael Robert, A.C.A., *a1958*; E. Croft & Co, 9 Northumberland Street, Morecambe, Lancs.

Spencer, Dudley Valentine, F.C.A., *a1948*; Scotter & Co, 2 Story Street, Hull.

Stott, Kenneth Entwistle, A.C.A., *aS1952*; Cadwallader & Co, Eagle House, Severn Street, Welshpool.

Sutcliffe, James Norman, F.C.A., *aS1948*; Jacques & Stirk, 9 Henry Street, Keighley, Yorks.

Thomas, Gordon Gerald Lloyd, A.C.A., *a1961*; Gordon Thomas & Pickard, 7/10 Oxford Buildings, Lower Union Street, Swansea, and at Cardiff.

Verrall, Philip, A.C.A., *a1952*; Holmes, Price & Worley, 30 Gildredge Road, and 21 Gildredge Road, Eastbourne, and at Hailsham.

Walkden, Clifford, A.C.A., *a1951*; †Jenks, Percival & Co, 14 Finsbury Circus, London EC2.

Walsh, Clifford, A.C.A., *a1961*; Grundy, Middleton & Co, 34 Princess Street, Manchester 1.

Watson, David Cyril Clifford, A.C.A., *a1958*; Holmes, Price & Worley, 32 North Street, Hailsham, Sussex, and at Eastbourne.

Wick, Ian Stuart, A.C.A., *a1959*; Westcott, Maskall & Co, 33 Catherine Place, London SW1.

Williams, John, F.C.A., *aS1936*; Tripp & Crane, 34 Fisherton Street, Salisbury, Wilts, and at Shaftesbury.

### Admission to Membership under the Scheme of Integration

Subject to payment of the amount required by the Council, the Council acceded to an application from a former member of The Society of Incorporated Accountants for admission to membership of the Institute under clause 5 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

### Re-admission to Membership

One application by a former member of the Institute for re-admission to membership under clause 23 of the supplemental Royal Charter was acceded to.

### Change of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

Mascarenhas, Cahen Kenneth to Maskey, Cahen Kenneth.  
Nahon, Leone Rodolfo to Nahon, Leon Rodolfo.

### Resignation

The Council accepted the resignation from membership of the Institute of:

Hayman, Alfred Graham Aldred, F.C.A., 38 Lansdowne Road, Luton.

### Death of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Walter Frederick Alldritt, F.C.A., Birmingham.  
„ James Barlow, F.C.A., Bolton.  
„ Donald Bonella, A.C.A., Southampton.  
„ William Bott, F.C.A., Derby.

Mr Edward Stanley Huntley Brooke-Smith, F.C.A., Bristol.  
 Miss Patricia Elizabeth Bryan, A.C.A., London.  
 Mr Edgar Butterworth, F.C.A., Manchester.  
 The Lord Dovercourt, F.C.A., London.  
 Mr James Eric Briggs Dunkerley, F.C.A., Hale Barnes, Cheshire.  
 „ Henry William Franklin, F.C.A., London.  
 „ Percy William Hill, F.C.A., Leatherhead.  
 „ Reginald Day Finch Hill, O.B.E., F.C.A., Nice.  
 „ Howard Joseph Impey, F.C.A., Oxford.  
 „ Herbert Stanley Littlejohn, F.C.A., London.  
 „ Bertram Ramsey Lunn, A.C.A., North Shields.  
 „ Isaac Henry Marks, F.S.A.A., Melbourne.

Mr Claude Houghton Oldfield, F.C.A., London.  
 „ Fred Walpole Palmer, F.C.A., Norwich.  
 „ William Cyril Richards, F.C.A., Wetherby.  
 „ Joseph Arnold Ritson, F.C.A., Hollywood.  
 „ Richard Golden Rutter, M.B.E., F.S.A.A., Whitby.  
 „ Gilbert Augustus Stirling, F.C.A., Bathurst, N.S.W.  
 „ Arthur Stonex, F.C.A., Manchester.  
 „ Tom Bannister Taylor, F.C.A., Burnley.  
 „ Thomas Henry Vincent, F.S.A.A., Chatham.  
 „ John Thomas Amy Willcox, M.C., F.C.A., Jersey.  
 „ John Henry Willey Williams, F.C.A., Slough.  
 „ Arthur James Wood, F.C.A., New Malden.  
 „ John Scott Wright, F.C.A., West Bromwich.

## FINDING AND DECISION OF THE DISCIPLINARY COMMITTEE

*Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on April 5th, 1961.*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Richard William Lambeth, F.C.A., was at the General Session held in the Old Bailey on January 3rd, 1961, convicted on indictment for that he fraudulently converted to his own use and benefit the proceeds of a cheque for £850 received by him for or on account of a limited company; and for that he being the trustee of £204 and £800 with intent to defraud converted the same to his own use and benefit; and for that he being the trustee of £200 with intent to defraud converted £140 part

of the same to his own use and benefit; and for that he being lawfully sworn made in an affidavit a statement which he knew to be false or did not believe to be true; and for that he with intent to defraud forged a receipt evidencing payment of money, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Richard William Lambeth, F.C.A., had been proved and the Committee ordered that Richard William Lambeth, F.C.A., of Cheltenham, be excluded from membership of the Institute.

## FINDING AND DECISION OF THE APPEAL COMMITTEE

*Finding and Decision of the Appeal Committee of the Council of the Institute appointed pursuant to bye-law 108 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on May 2nd, 1961.*

The Appeal Committee heard an appeal against the Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that John Randolph Kilpatrick, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of clause 21 of the supplemental Royal Charter in that he signed the Accountants Certificates required by Section 1 of the Solicitors Act, 1941, relating to the practice of a solicitor for each of three

accounting periods which he knew or which he ought to have known were not accurate, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee affirmed the Finding of the Disciplinary Committee that the formal complaint against John Randolph Kilpatrick had been proved and the Committee affirmed the Decision of the Disciplinary Committee that John Randolph Kilpatrick, of 136 Newport Road, Cardiff, be excluded from membership of the Institute.

# THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION SEVENTY-FIFTH ANNUAL MEETING

The seventy-fifth annual general meeting of The Chartered Accountants' Benevolent Association was held on May 3rd following the Institute's annual meeting. Sir William Carrington, F.C.A., President of the Association, was in the chair.

Sir William said there was little to add to what was contained in the annual report and accounts, which had been circulated. He had hoped to be able at the meeting to say that the Court had approved the scheme for the amalgamation of the Benevolent Fund of The Society of Incorporated Accountants with that of the Institute. Unfortunately, he said, the mills of the

Chancery Division seem to grind exceedingly slowly, and he was not in a position to say that this was an accomplished fact.

He continued: Lawyers were briefed a long time ago, papers were supplied and so on, but the case has not yet come to a hearing and therefore I must leave it at that point. When this amalgamation does become effective, it is the intention of the Executive Committee to send to every member of the Institute an appeal under two heads, one for you to join the Benevolent Association and, secondly, if you are already a member, asking you to persuade someone else to join. It is a very dis-

. 'Enter these enchanted mazes you  
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quieting thought that although we have a membership of the Institute of over 34,000 we have less than 4,000 members of the Benevolent Association, and, as I say, we are going to try to remedy that as soon as this amalgamation has gone through.

With those few words I move the adoption of the report and accounts of the Benevolent Association for the year ending February 28th, 1961, and perhaps the President of the Institute will second that.

**Mr Pears:** I have much pleasure in seconding that resolution.

There being no questions or comments from members, Sir William put the resolution to the meeting and it was carried unanimously.

The hon. auditors, Mr Geoffrey Bostock, F.C.A., and Mr L. W. Bingham, F.C.A., were thanked for their services and unanimously reappointed. The President emphasized that they were honorary in every sense of the word but they had done great work on behalf of the Association.

**Mr H. B. Vanstone, F.C.A.:** Mr Chairman, before we go I regard it as my pleasant duty to move a vote

of thanks to you for your services as President of the Association during the past year. It will be well worth while to have the funds consolidated and I assure you that we value the work you have done in regard to it. I have great pleasure in proposing a vote of thanks to you. (*Applause.*)

**The President:** Thank you very much for the way you proposed this vote of thanks to me and thank you, gentlemen, for the way you received it. There is a great deal of work done in the Benevolent Association but it is not done solely by the President although he has to do quite a lot. A great deal of work is done by the committee in London and in addition we receive most valuable assistance from the sub-committees in the districts who keep in touch and endeavour to see that we are not only kept informed of the facts of each case, but that the aid we give is given with that human interest which means so much to the people who are in need of help or advice. I should like that vote of thanks to refer, therefore, not only to my services but also to those in the districts who help us in this way. Thank you. (*Applause.*)

## THE INSTITUTE OF COST AND WORKS ACCOUNTANTS REPORT OF THE COUNCIL FOR 1960

*We reproduce below extracts from the forty-second annual report of The Institute of Cost and Works Accountants for the year ended December 31st, 1960, to be submitted at the annual general meeting to be held at The Connaught Rooms, London, on Saturday, June 3rd, 1961, at 10.30 a.m.*

### Membership

During the year 437 persons were admitted to membership and after allowing for resignations, lapsed memberships and deaths, the total membership at December 31st, 1960, was 6,876 showing a net increase of 346 over the previous year.

### Registered Students

During the year there were 3,442 new student registrations and after allowing for transfers to membership, resignations, lapsed registrations and deaths, there were 16,311 names on the students' register at December 31st, 1960, as compared with 16,140 at the end of 1959.

### Institute Awards

The Institute's Silver Medal was awarded to Mr Frank Leadbetter, F.C.W.A., for services to the Institute and to the profession.

### Examinations

The examinations were held in June and December 1960, at twenty-seven home and sixty-seven overseas centres. A total of 10,797 candidates sat, including 1,931 overseas. The comparative figures for the past six years are as follows:

1955	..	7,524	1958	..	11,121
1956	..	8,478	1959	..	10,603
1957	..	9,332	1960	..	10,797

### Branches

New sub-branches were formed at Doncaster and Swindon; the former St Helen's Sub-Branch now holds regular meetings at Warrington and has adopted

the new title of South West Lancashire Sub-Branch.

Branch committees arranged many new and useful programmes of demonstrations, works visits and addresses by authoritative speakers. Ideas for making branch meetings more interesting were exchanged at the conference of branch secretaries held at Blackpool in May 1960.

Formal and private dinners, sometimes followed by dancing, were held in nearly all branches of the Institute during the spring and autumn of 1960.

### Regional Conferences

Conferences were held at the following places, the subjects and speakers being as shown:

BRISTOL - April 2nd, 1960:

'Commercial training within industry', H. J. Furness, F.C.W.A.

'Commercial education: the educationalist's point of view', L. E. Lowe, B.A., B.Sc.(ECON.).

NEWCASTLE UPON TYNE - October 8th, 1960:

'What top management requires of the accountant', J. R. Bingham.

'What the accountant can provide for top management', D. A. J. Manser, F.C.A., A.C.W.A.

NOTTINGHAM - October 29th, 1960:

'Higher financial control', A. W. Howitt, M.A., F.C.A., F.C.W.A.

'Cost accounting and operational research', J. R. Turcan, B.Sc.(ECON.).

LONDON - November 19th, 1960:

'Trends in productivity and costs in various countries abroad', Dr Jan Bosch.

'Productivity and costs; the challenge to Britain', H. Hodgson, F.C.A., F.C.W.A.



**Centres in South Africa and Southern Rhodesia**

The President, Mr W. S. Risk, B.COM., C.A., F.C.W.A., who was accompanied by Mrs Risk, and the Secretary, Mr Derek du Pré, visited the Union of South Africa and Southern Rhodesia, leaving London on Saturday, November 5th and returning on Monday, November 28th.

The President and Secretary attended the third national cost conference to be held in South Africa, which took place in Durban from Monday to Thursday, November 14th to 17th.

The President addressed the conference during the opening session and on the closing day, when the Secretary also spoke.

The second regional cost conference of the Cape Centre was held on Monday, November 21st. The President gave an address at the opening ceremony and the Secretary spoke at the last session.

During their visit, the President, Mrs Risk, and the Secretary visited all Institute centres in the Union and in Southern Rhodesia, the President and Secretary addressing meetings on every occasion. Each centre also arranged social functions, attended by representatives of the civil service, municipalities, industry, commerce, education and professional bodies, to welcome the presidential party.

The President, the Secretary and Mr C. Mollink, F.C.W.A., member of Council for South Africa, were received by the Minister of Education, Arts and Science in Pretoria. Later, with Mrs M. Mollink, A.C.W.A., they lunched with Sir John Maud, G.C.B., C.B.E., High Commissioner for the United Kingdom in South Africa.

The President, Mrs Risk, and the Secretary attended the dinner of the Salisbury, Southern Rhodesia, Centre, at which the speakers included the President; the Rt. Hon. C. J. Hatty, M.P., F.C.W.A., Minister of Finance, Acting Prime Minister of Southern Rhodesia; and Sir Malcolm Barrow, M.P., Minister for Home Affairs, Acting Prime Minister of the Federation of Rhodesia and Nyasaland.

In March 1960, Mr C. T. Atkin, A.C.W.A., A.C.I.S., was elected President of the South Africa Council of the Institute, in succession to Mr F. G. Dew, F.C.W.A.

**Thirty-first National Cost Conference**

The thirty-first national cost conference, held at *The Imperial Hotel*, Blackpool, was formally opened on the morning of Friday, May 13th, with the presidential address of Mr Edward Emmerson, F.C.A., F.C.W.A.

On the afternoon of Thursday, May 12th, the conference was addressed by Sir George Pollock, Q.C., Director of the British Employers' Confederation, on 'Industrial relations'.

On the Thursday evening, the Mayor and Mayoress of Blackpool, Alderman Ernest Machin, J.P., and Mrs Machin, gave a civic reception and dance at *The Imperial Hotel*.

At the first technical session on the Friday morning,

Mr D. A. J. Manser, F.C.A., F.C.W.A., Chief Accountant of Davy United Ltd, presented a paper, entitled 'The profit story', a case history based on the operations of his company.

On Friday afternoon, Mr A. Kershaw, T.D., F.C.W.A., Deputy Director of The National Hosiery Manufacturers' Federation, gave a paper on 'Interfirm comparisons'.

**Institute Functions**

The President of the Institute, Mr Edward Emmerson, gave a dinner party at the House of Commons, by courtesy of Mr Geoffrey Stevens, M.P., F.C.A., on Wednesday, January 13th.

Mr Emmerson gave luncheon parties at the Institute on Wednesday, March 2nd, and Thursday, April 28th, and at *The Midland Hotel*, Manchester, on Tuesday, March 22nd.

Mr W. S. Risk, who became President in June, gave luncheon parties at the Institute on Wednesday, September 14th, and on Thursday, December 8th.

At the members' dinner held in Goldsmiths' Hall, in the City of London, on Tuesday, October 18th, Mr George A. Hewitt, President of the National Association of Accountants of the United States of America, was principal guest.

**Research and Technical Activities**

The book entitled *An Introduction to Business Forecasting* was published on February 1st and received favourable Press reviews.

Twenty-four contributions from branches and two individual contributions were received for the 1959-60 research project 'The rising incidence of overheads and their control'. This work is now being collated.

Branch research officers are directing work on the current research project 'The profitable use of capital'.

Mr Derek du Pré, Secretary of the Institute, again served as honorary editor of the bulletin of The British Conference on Automation and Computation, which has been reconstituted. Mr du Pré is a co-opted member of the new Executive Committee.

The report on the European Productivity Agency mission to the U.S.A. was published at the end of the year. Mr J. A. Goldsmith, M.A., A.C.A., A.C.W.A., was the Institute's representative on this team and editor of the report. The President of the team was Mr B. A. Maynard, M.A., F.C.A., A.C.W.A.

Two introductory week-end courses on electronic data processing were held in the spring.

**Summer School**

The eleventh residential summer school was held at St Catharine's College, Cambridge, from September 19th to 23rd.

At the closing dinner, the President of the Institute, Mr W. S. Risk, presented to the President of St Catharine's an inscribed silver candlestick to mark the tenth summer school held at the College.

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## REVALUATION OF ASSETS

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FINANCE BILL

## Double Tax Relief: Commencing Years

**P**ERHAPS the most complicated and technical part of the Finance Bill, the committee stage of which began on Monday, is clause 15 which seeks to nullify the decision in *Imperial Chemical Industries Ltd v. Caro*<sup>1</sup> where the foreign income of one year formed the basis of two distinct years of assessment but credit was confined to only one year's foreign tax on that income.

The facts of the above case give a comparatively simple illustration of the anomaly. I.C.I. held over five million shares in a company incorporated and resident in Australia which we shall call 'I.C.I. (Australia)'. In 1953 I.C.I. (Australia) allotted to I.C.I. a further 1,805,468 shares on which dividends were first paid in 1953-54. As the new shares were either a new source of income or an addition to an existing source within Section 134 (2) of the Income Tax Act, 1952, the Case V assessment on I.C.I. for 1954-55 had to be computed on the actual dividends arising in that year. No notice was given under Section 133 (1) (c) and accordingly the 1955-56 Case V assessment also fell to be based on the dividends of 1954-55, in accordance with the well-known 'commencing rules'.

The dividends paid on the new shares in 1954-55 were (converted to sterling) £93,511. The Australian tax on them was £64,836 and was made up of two sums, one of £16,307 charged directly on the £93,511, and one of £48,529 being the appropriate proportion of the Australian tax borne by I.C.I. (Australia) on the profits out of which the dividends were paid, or were deemed to have been paid. This proportion was arrived at in accordance with paragraph 9 of the Sixteenth Schedule to the Income Tax Act, 1952. Since double tax relief was being given in respect of the £93,511, it was necessary to gross up that sum for British tax purposes, by adding back the £48,529, producing a notional gross income arising in 1954-55 of £142,040, in accordance with paragraph 8 (3) (b) of the Schedule. Thus the amount assessable to United Kingdom income tax for 1954-55 and 1955-56 was £142,040 in each case.

Ignoring double tax relief for the moment, the profits tax chargeable on the £142,040 came to £15,624. The income tax was £63,918 for 1954-55, £60,367 for 1955-56, the standard rate having been reduced from 9s to 8s 6d in the latter year. Relief for the £64,836 Australian tax was necessarily given primarily against the United Kingdom profits tax of £15,624, leaving a balance of £49,212. I.C.I. claimed credit for this £49,212 twice over; once against the £63,918 income tax for 1954-55 and once against the £60,367 for 1955-56. The Crown restricted the total relief to £49,212, conceding only that since both 1954-55 and 1955-56 were based on the £142,040, the I.C.I. could allocate the £49,212 between these two years in whatever way it wished. The courts rejected the I.C.I.'s contention, and pointed out that it was irreconcilable with the plain wording of paragraph 2 of the Sixteenth Schedule and Article XII (1) of the schedule to the Double Taxation Relief (Taxes on Income) (Australia) Order, 1947 (S.R. & O. No. 8c6), which provide for credit for the Australian tax payable in respect of the dividends.

It was urged on behalf of the I.C.I. that this result failed to give effect to the manifest intention of the two Governments to prevent double taxation. The learned judge declined to comment on this. One can, of course, point out that the commencing provisions and the cessation provisions are largely a matter of swings and roundabouts.

In his Budget speech, MR SELWYN LLOYD heralded clause 15 by referring only to 'profits' of 'new businesses', which words would not have covered dividends of the kind which featured in the I.C.I. case. However, the clause deals in fact with all types of income, provided only it is income which is doubly taxed and is assessed under the commencing provisions. Sub-clause (1) shows that the clause is confined to 'income arising in the years of commencement', but where the remittance basis applies, 'arising' is defined to mean 'received in the United Kingdom' (sub-clause (7)). 'Years of commencement' in relation to income from a particular source means the first three years of assessment for which

<sup>1</sup> 39 A.T.C. 407.

income from that source falls to be assessed to income tax. Where the income is assessable under Case I or Case II of Schedule D, if there is a period which falls partly within the first three assessment years, and the profits of that period fall to be assessed for the fourth or a later assessment year, then that period is also included in the phrase 'years of commencement'.

Clause 15 (1) provides that, subject to the later provisions of the clause, credit for foreign tax paid in respect of income arising in the years of commencement shall be allowed (pursuant to Part XIII of the Income Tax Act, 1952) against United Kingdom income tax chargeable for any year of assessment in respect of that income 'if it would have been allowed but for the fact that credit for that foreign tax had been allowed against the United Kingdom income tax chargeable in respect of that income for a previous year of assessment.' Clause 15 (2) imposes a ceiling on the total credit. The credit to be allowed for any year of assessment by virtue of clause 15 must not exceed the difference between

- (a) the total credit allowable against income tax in respect of that income for all years of assessment; and
- (b) the amount of credit in fact allowed in respect of that income for earlier years of assessment.

The 'total credit allowable' at (a) is defined by clause 15 (3). One takes the foreign tax on the income and deducts from it the amount allowed against United Kingdom profits tax. The balance (called 'the unapplied balance') is adjusted, where the number of United Kingdom periods of assessment ( $x$ ) exceeds the number of the foreign periods of assessment ( $y$ ) in the proportion which ( $x$ ) bears to ( $y$ ). In this context, 'periods of assessment' means the years or other periods for which under the relevant law the income falls to be charged to the relevant tax. Thus, taking the I.C.I. case again, where the ratio of ( $x$ ) to ( $y$ ) was apparently 2 : 1, the total credit allowable is equal to twice the unapplied balance, i.e. twice the £49,212. Accordingly, under clause 15 (1) (2) the relief would be exactly as claimed by I.C.I.

Where only part of the foreign income is charged for a particular period of assessment, that period is not treated as a single period under clause 15 (3) but as a fraction of a period. The fraction is the proportion which the part of the

income bears to the total income. Thus if in, say, a Case I case the foreign income was charged to United Kingdom income tax in full for two assessment years, and half of it was charged for a third assessment year, while the foreign income was charged to foreign tax for only one foreign assessment year, the ratio would be  $2\frac{1}{2} : 1$ .

A further complication arises where there is more than one foreign tax on the income, and these taxes are assessed for periods of assessment which are not identical, e.g. where the foreign territory has a system like the British profits tax and income tax system. First of all, the 'unapplied balance' must be calculated separately for each of the foreign taxes, the total amount set off against United Kingdom profits tax being apportioned among the foreign taxes in proportion to their respective amounts. This unapplied balance is then 'adjusted' pursuant to clause 15 (3) for each foreign tax, the adjusted amounts being aggregated together to arrive at the total credit allowable.

Clause 15 (5) provides for the clawing back, by means of a Case VI assessment, of some of the relief under clause 15 (1) in a case where income from the same source escapes assessment because it arises in a non-basis period, i.e. a period which is not the basis for any year of assessment. One must first aggregate the following sums:

- (a) the amount of credit against income tax which would have been allowed apart from clause 15 (1) for all years of assessment for which credit is allowable; plus
- (b) the unapplied balance of foreign tax for which credit would have been allowable under Part XIII of the 1952 Act (i.e. without the benefit of clause 15 (1)), in respect of income arising in the non-basis period.

One then compares with this aggregate sum the aggregate of the credit actually allowed against income tax for all years of assessment. If the latter figure exceeds (a) plus (b), then the excess is to be recovered by a Case VI assessment. This assessment is to be made for the assessment year following the non-basis period, and is to be made on the person chargeable on the income (if any) from the same source for that year. The gross amount of the assessment is such a sum as, at standard rate, will produce the excess mentioned above. It will not form part of the assessee's income for tax purposes, e.g. it will not be available to cover charges.

# Partnership Property

by GEORGE C. MASON

THE Partnership Act, 1890, is a confusing statute in many respects. This is particularly true of its provisions concerning partnership property which have given rise to a considerable amount of litigation concerning whether property is, or is not, partnership property. The matter is of great importance because if the property is that of the partnership, as opposed to that of an individual partner, all the partners share equally in it, in the absence of agreement to the contrary, or otherwise share in accordance with the terms of any agreement (Section 24 (1) Partnership Act; *Robinson v. Anderson* ((1855), 7 DeG. M. & G. 239)).

The point would naturally assume great importance from an accountancy aspect upon a dissolution. Another instance of the importance of the matter arises from the fact that real property of a partnership is notionally converted into personalty so that the question could be of significance to persons severally entitled to the real and personal estates of a deceased partner.

## Tests of Nature of Property

Although, as has been indicated, the general rule exists that partners in the absence of agreement share equally in partnership property, there is no rule nor is there even an assumption that property used in connection with a partnership business is partnership property. Whether the property is partnership property or not depends entirely upon agreement or circumstances.

If, of course, the partnership deed provides that certain property is to be regarded as partnership property, that is the end of the matter. On the other hand, it must be noted, the agreement can equally well provide that particular property, the circumstances of which would appear to indicate its being partnership property, is in fact the property of an individual partner. This even extends to goodwill (*Jennings v. Jennings* ([1898] 1 Ch. 378)).

In the absence of any such specific provision, one way or the other, it is necessary in the first place to turn for guidance to Section 20 (1) of the Partnership Act. This section provides that all property, rights and interests therein, brought into partnership stock or afterwards acquired on account of the firm or acquired for the purpose

of its business and in the course of such business, is partnership property. It follows that if particular assets are treated in the books as partnership property they are, in fact, partnership property. An example of this is *Robinson v. Ashton* ((1875), L.R. 20 Eq. 25) in which a partner brought property into common stock as part of his share of capital.

Further assistance as to the nature of the property can be obtained from Section 21 of the Partnership Act which provides that, unless the contrary appears, property bought with money belonging to the firm is deemed to be purchased on account of the firm and therefore to be partnership property. An example of the operation of Section 21 can be found in *Wray v. Wray* ([1905] 2 Ch. 349) in which a partnership was carried on by four partners under the name 'William Wray' which was the name of a deceased partner who was founder of the firm. A conveyance of property, purchased out of partnership moneys, was taken in this name. It was held that all the partners were entitled to share.

## Partnership Premises

In addition to the foregoing statutory provisions there is a decision concerning premises in which a business is carried on to the effect that the firm has a certain limited interest in the premises even though they are the property of an individual partner. This decision, *Pocock v. Carter* ([1912] 1 Ch. 663), laid down that where a partner owns the premises in which the business is carried on and there is no provision in the partnership deed or otherwise for the tenancy of the partnership therein, the Court will infer a tenancy for the duration of the partnership and not merely a tenancy from year to year or at will. It is sometimes considered that for *Pocock* to apply, it is necessary for the partnership deed to provide for payment of rent out of the profits; but it is submitted that this is not correct for in the particular case, the premises being leasehold, the deed merely provided for the payment of the ground-rent. This view is thought to be all the more correct because of the more recent decision in *Miles v. Clark* ([1953] 1 All E.R. 779), which is considered below, although it would seem a view of that case that a licence to use the premises,

rather than a lease, should be implied in favour of the partnership. This aspect would not, however, seem to be of practical importance.

### Special Cases

There may, however, be cases where property is used in connection with a firm which are not covered by express agreement or by Sections 20 (1) or 21 of the Partnership Act, or which do not concern premises belonging to a partner and used by the firm. These cases present the greatest difficulty since there is no specific statutory guidance or decision such as *Pocock* which can be applied to a distinct and specific set of circumstances, as in the use of premises. An example of the type of case is *Re Bowers; ex parte Owen* ((1851) 4 De G. & Sm. 351). The circumstances were that an individual being a grocer and wine merchant took two persons into partnership with him and he brought in stock-in-trade and household furniture. The other partners did not bring in anything. The grocer purchased further stock in the firm's name, but out of his own money. There was no agreement other than to share profits equally. The firm got into difficulties and in the ensuing bankruptcy the Court was prepared to imply an agreement to the effect that all three partners shared in the stock-in-trade (but not in the household furniture) as partnership property, subject to an account against the partnership for the stock-in-trade brought in and further stock paid for by the grocer. It seems that the Court will only apply the account method in cases where it is not possible to determine what the parties intended, or where there is great difficulty in attaching meaning to the whole relationship. Again, in *Miles v. Clark (supra)*, A. who owned the lease of the business premises and certain business equipment brought B. into partnership, profits being shared equally. It was held that B. did not take an interest in the lease or equipment as all that was necessary for the partnership purposes was his right to use them.

### Excluded Property

In addition to the tests which have been considered as to what is or is not partnership property, there is further guidance to be obtained in Section 2 of the Partnership Act as to the nature of the property. The tests previously considered may be described as positive in the sense that if their terms are answered the property will be partnership property. Section 2 (1) operates in a negative way and says, in effect, that certain property is not to be deemed to be partnership property.

Before considering this section it is necessary to refer to the definition of partnership in Section 1 of the Act. A partnership is there defined as the relationship which subsists between two persons carrying on business in common with a view to profit. It is therefore to be distinguished from co-ownership. Section 2 of the Act confirms this distinction by providing that joint tenancy, tenancy in common, joint property, common property or part ownership, does not of itself create a partnership in the thing owned, even if there is a sharing in the profits of that which is the subject of the ownership. It may be observed that there are four conceptions expressed or implied in Section 2 as governed by Section 1:

- (1) Ownership of a thing between two or more persons does not make them partners. Thus it is clear that a tenancy in common of a house by two brothers under their father's will does not make them partners.
- (2) Ownership of a thing between two or more persons and a sharing in the profits therefrom does not necessarily create a partnership either in the thing so owned or a partnership in respect of the manner in which the profits are produced. If the two brothers, in the foregoing example, let the house they would neither be partners in the house nor partners so far as the rents are concerned. Letting a house is not a business.
- (3) Ownership of a thing between two persons, while not creating a partnership in the thing owned may, in certain circumstances, create a partnership in the use thereof. Thus, if the two brothers in the foregoing examples were to carry on a hotel in the house left to them, that would be a business and carried on with a view to net profits. (A sharing in gross profits is never a partnership (Section 2 (2)) and this is another reason why a mere letting is not a partnership.)
- (4) Persons may be partners in both the thing owned and in the profits therefrom as is, of course, the most usual case. Thus, if the two brothers were each to be left money by their father and decided to purchase a house for a proposed hotel business they would be partners in the house and the business. The house would be partnership property.

### Purchased Property

The provisions of Section 20 (3) of the Partnership Act also require attention. The section provides:

"Where co-owners of an estate or interest in any land, or in Scotland of any heritable estate, not being in itself partnership property, are partners as to profits made by the use of that land or estate, and purchase other land or estate out of profits to

be used in like manner, the land or estate so purchased belongs to them, in the absence of agreement to the contrary, not as partners, but as co-owners for the same respective estates and interests as are held by them in the land or estate first mentioned at the date of the purchase.'

The principle here expressed is not as simple as it seems, for judicial decisions have interpreted it in a manner which is not immediately apparent from the words used. Attention must, in the first place, be drawn to *Davis v. Davis* ([1894] 1 Ch. 393). This is a difficult case. The circumstances were that A. carried on the business of a patent fan manufacturer at Nos. 62 and 64 S... Street of which freehold premises he was the owner and he was also owner of No. 60 S... Street in freehold which was let at £30 per year. A. died, having by his will left the residue of his real and personal property to his sons, B. and C. as tenants in common and survived also by a daughter D. B. and C., until the ensuing death of C., carried on A.'s business without partnership articles, and without accounts or balances being taken but, at the same time, B. and C. drew equally each week from the business. During the lifetime of B. and C. they both borrowed £300 on the security of No. 60 (i.e. the let property) and spent this money in enlarging their workshops at Nos. 62 and 64 by taking in, so as to form part of such workshops, a shed at the rear of No. 60, the tenant's rent being reduced because of the loss of this shed.

C. died intestate survived by his widow, by B. (his brother and partner), and by his sister D., but without issue. The following questions were to be decided by the Court:

- (1) Did a partnership subsist between B. and C. in respect of the business?
- (2) If so, did all of Nos. 62 and 64 S... Street and that at part of the rear of No. 60 incorporated into the business premises belong to the partnership?
- (3) If the answer to (2) is No, did C.'s moiety as tenant in common under his father's will of the freehold property at Nos. 62, 64 and the relevant part of No. 60 pass to B. beneficially? It will be in mind that, as the law then stood, C.'s real property, on his death intestate without issue, would pass to B. as his heir at law under the then rules of descent. This is the real issue of the case, for if Nos. 62, 64 and the relevant part of No. 60 employed in the business were partnership property they would devolve as personalty and C.'s widow would take, and if the estate was greater than what would satisfy her rights on intestacy B. and D. would gain equally in the surplus.

North, J., held that the equal drawing of profits, in the absence of agreement, was sufficient to enable him to infer a partnership as between B. and C. and therefore the question at (1) was answered. He further held, answering in part question (2), that Nos. 62 and 64 were not partnership property and, accordingly, that these passed to B. Concerning the rear of No. 60 the judge held, in the first place, that the fact that the partners spent money in adapting part of these premises for partnership purposes did not make it partnership property stating that (page 404):

'if the money which they expended in adapting this additional piece of land had been spent in buying it, instead of improving it, it is clear that it would not have become partnership property; because in that case it would have been hit exactly by subsection (3) of Section 20 of the Partnership Act'.

Without the authority of *Davis v. Davis* one would have considered that even if the money had been spent on purchase instead of altering the premises at No. 60, the matter would have had nothing to do with Section 20 (3) because that money did not come from profits but by way of mortgage. It does not follow that, if the subsection did not apply, the rear part of No. 60 would have been partnership property, indeed the terms of the judgment suggest that Section 2 (1) would have been sufficient to exclude it. The point is that the judgment, at least, gives a further effect to Section 20 (3) and the result is that if further land is purchased, or existing land is improved, out of money raised on mortgage of non-partnership land, held in co-ownership and employed for partnership purposes, such land or improvement effected, are no more partnership property than if the purchase or improvement had been effected out of partnership profits. Here, then, is an example of the difficulties attendant upon an apparently simple subsection.

### Nature of the Business

The principles considered are subject to further difficulties arising from decisions which lay down that in spite of the provisions of Sections 2 (1) and 20 (3) of the Partnership Act property which appears to come within the purview of those sections is, in certain circumstances, partnership land. It is necessary first to dispose of a difficulty arising from the decision in *Morris v. Barrett* ((1829) 3 [Y. & J.] 384). It will be in mind that Section 2 (1) provides that co-ownership etc. does not of itself make the thing owned partnership property even if there is a sharing of the profits therefrom, and that Section 20 (3) provides that land



purchased out of such profits, again, is not partnership land. It is therefore to be taken that Section 20 (3) applies to make further land non-partnership land as the first held was. Nevertheless, the decision in *Morris v. Barrett* is that land purchased out of profits of a partnership in farming non-partnership land became partnership land. This case was decided in 1829, long before the enactment of the Partnership Act, and would certainly appear to have been overruled by Section 20 (3) were it not for the difficulty that the case was quoted with approval by North, J., in *Davis v. Davis* which was decided after the Partnership Act.

The case of *Morris v. Barrett* seems to fall within the group which have been mentioned as affecting cases which would, of themselves, appear to come directly within Section 2 (1) and, if land, also within Section 20 (3). The remaining decisions in the group are *Waterer v. Waterer* ((1875) 3 L.R. 15 Eq. 402) and *Davies v. Games* ((1879) 12 Ch.D. 813). The principle they establish, as explained by North, J., in *Davis v. Davis* (*supra*), is that land or other assets will be partnership property, if, by reason of the nature of the business, it is to be deemed to have been brought into partnership. The least strong of these cases is *Morris v. Barrett* in which the circumstances were that a farmer gave the residue of his real and personal property to his sons who farmed the land together for twenty years, without agreement or accounts, but keeping the profits and money in a common fund. Further land was purchased out of this fund and on the death of one of the sons it was held that the land devised to them by their father was not partnership land but that the land afterwards purchased was partnership land. The principle here, though not strongly expressed, was that the nature of the business made the land partnership land. These circumstances, as have been indicated, appear to completely exclude Section 20 (3).

*Waterer v. Waterer* is a more satisfactory case. It does not appear to have the element of the first held land being non-partnership land and is a straight example of how Section 2 (1) does not apply (equally true, no doubt, in respect of Section 20 (3)) where the nature of the business makes the land partnership property. The circumstances were that A. carried on a nursery business on freehold land which, on his death, he devised to his three sons as tenants in common equally. The business was continued by the three sons and on the death of one the surviving two purchased his share in the land and

business at one price. One of the two remaining sons then died and the question arose as to whether his share in the land was partnership property or not. It was held that the land had become partnership property not only because of the dealing in the first deceased brother's share of land and business at one price, but because it was, in all circumstances, a class of case in which property became involved in partnership dealings and must be regarded as partnership property. James, L.J., observed, in respect of the parties:

"They necessarily appropriated the soil itself for gardening purposes which could not have been carried on without it. It is, in fact, in nursery gardening, practically impossible to separate the use of the soil for the trees and shrubs from the trees and shrubs themselves, which are part of the freehold, and at the same time constitute the substantial stock-in-trade."

The case of *Davies v. Games* also illustrates the effect of land being brought into partnership by reason of the nature of the business. The circumstances were that three brothers farmed land in Wales of which they were tenants in common. One brother died leaving his one-third share to a nephew and the two surviving brothers carried on the business. The nephew then sold his one-third share to his two uncles who took the land in the conveyance as tenants in common. One of the two brothers then died leaving all his property to his wife. The lands were all then sold and the surviving brother claimed that the share purchased from the nephew was held by him and the second deceased brother in joint tenancy and, therefore, passed beneficially to him. It was held that this share had been involved in partnership dealings and must be regarded as partnership property in which case the brother was only entitled to a moiety of the proceeds of sale.

### Real and Personal Property

It will be clear that, since realty now devolves as personalty, there will be a tendency for the issue as to whether freehold land is or is not partnership property to diminish in significance. For in this respect it does not now matter whether the property remains realty or by becoming partnership property is converted into personalty.

The matter may be of great importance as indicated, however, on the death testate of a partner, as between persons severally entitled to his freehold and personal property, or in respect of the fund liable for legacies, or further, as regards the fund for payment of estate duty. Of course, property not originally freehold property is not affected by the doctrine of conversion.

# 'Bubble' Accountant

by R. ROBERT, A.C.I.S.

THE history of the South Sea Company, brought into being just 250 years ago, at least in outline, will be known to everyone. Intended to meet an economic crisis, partly precipitated by the reluctance of Whig financiers to help a Tory Government, it was first mooted in the spring of 1711, and incorporated by Royal Charter some months later.

The agreement was that the company would take over the Government's floating debt of £9½ million, and in return receive a monopoly of trade to South America and other privileges. All went well, in a quiet way, until the year 1720, when the company's stock was forced up to artificially high levels. A sudden and catastrophic collapse of the market involved thousands of speculators, drawn from all ranks of society, in irretrievable ruin.

## Shadowy Figure

John Grigsby, accountant to the company in that *annus mirabilis*, is a somewhat shadowy figure, yet he played a leading role at the most critical period. In the 1690s, at the beginning of what has been described as the 'commercial revolution', he had been the proprietor of a City coffee house and, later in the same decade, had graduated to the position of licensed stockbroker. In this latter capacity he had acquired much knowledge of the kind needed at South Sea House, where he was placed in charge of the stock registration office. He was, at the time of the 'Bubble', already well advanced in years, but had a 'friend at Court' in the person of director John Blount, who was indeed his relative and surety. Blount, strong-willed, dictatorial and unscrupulous, used the accountant for his own sinister ends.

The responsibilities falling on Grigsby's shoulders in the summer of 1720 were heavy. Enormous batches of stock were being issued; shares were changing hands fast, and there were dividends to pay. Not surprisingly, having regard to the accountant's numerous infirmities, a staff which was overworked, underpaid and semi-mutinuous, the department was constantly in arrears.

The office had therefore to be closed on several days each week so that the clerks – every one a

minor master of copperplate handwriting – could bring the transfer registers up to date. Occasionally, when the more frantic rushes were on, Grigsby employed a staff of over one hundred persons – a fact which provides a good index of the scale of 'Bubble' operations.

By the middle of June fabulous fortunes had already been made – as much as £3 million in three months – by lucky individuals. Much of this money went, as easily as it came, on ostentatious living. That Grigsby himself was doing well is proved by the fact that he was able to buy a house in Wanstead worth £50,000. He had, too, acquired his own coach and horses, and on one memorable occasion was helped to enter the vehicle by the great Duke of Marlborough, hero of many a famous victory and (perhaps in explanation of the solicitude) a South Sea stockholder. That was undoubtedly a great moment for the harassed, gout-ridden registrar, though to be fair, there were a number of noblemen just then, willing – and even proud – to acknowledge him as friend.

The crash when it came, in the autumn of 1720, created widespread panic. Parliament, greatly alarmed, appointed a committee to investigate, and demanded the production of documents and books. Grigsby's lot then became a less enviable one, for both he and his clerks were subjected to a tough, auditorial grilling. The committee actually installed itself at South Sea House and for three weeks burrowed and delved, starting work every morning at nine and continuing until eleven at night. Grigsby, it was thought in the City, would almost certainly be hanged!

## Cashier Absconded

In the thick of the *post-mortem* proceedings Robert Knight, the company's cashier, let his colleagues down rather badly by absconding. He had been upset by the questionings and, after dropping hints to the effect that 'the world would be astonished if he declared all he knew', decided it was best to go abroad for the time being. A curt note informed the directors that he had crossed the Channel to Calais and would not be returning. With him went as much of the company's loose cash as he had been able to lay hands on. Parliament, incensed by the escape of such a material witness, forthwith instructed the

Sergeant at Arms to take the other directors and officials – Grigsby among them – into custody.

In the subsequent probings into his personal affairs, it was discovered that Grigsby had amassed a fortune of over £60,000, and despite his grey hairs, the Government dealt with him severely. Unfortunately, it was remembered against him that he had been a professional stock-jobber, up to all the tricks of the trade at that time. Someone, too, recollected a boast of which

he had been guilty in more prosperous days to the effect 'that he would have his horses feeding on gold'. So the machinery of confiscation was set in motion, and Grigsby, the 'Bubble' accountant, was stripped of everything but £2,000 on which to live for the remainder of his days. However, as the purchasing power of the £ was then at least ten times greater than it is today, he was able to contemplate the error of his ways in comfort, if not in actual affluence.

## Weekly Notes

### The Irish Institute's Report

STATISTICALLY, The Institute of Chartered Accountants in Ireland grows larger year by year. At December 31st, 1960, the membership strength was 1,653, an increase of eighty-four over the year and, at the same date, there were 730 clerks serving articles as compared with 676 at the end of 1959. The number of new articles registered in 1960 was 216 as against 182 in 1959. Thanks to a new source of income in the form of articles registration fees which yielded £2,622, the income and expenditure account for 1960 showed a surplus of £2,462, exactly £2,200 more than that for the previous year. The accumulated fund at December 31st, 1960, was £17,022. The income and expenditure account has been redesigned and is a big improvement on the old form. The only apparent imperfection in the wording of the balance sheet is that the words 'at cost' are attached to the general heading of 'Fixed assets' whereas they presumably apply only to the sub-heading 'Premises', the other item 'Furniture, fittings and equipment' being valued at cost, less amounts written off.

The three new permanent committees set up during the year by the Council – parliamentary and law, taxation, and finance and general purposes – seem fully to be justifying their existence and the Council reports that the new structure has enabled it 'to deal more effectively with the growing volume of Institute business'. The fifth annual conference of the Institute, held in October at Newcastle, Co. Down, was for the first time 'residential' and ninety-seven members attended. Among other successful functions of the year was a two-day seminar on comptrollership organized on the invitation of the Council by the Dublin Society of Chartered Accountants in April.

The cordiality between the Irish Institute and those of England and Wales, and Scotland is another pleasing feature of a report which by reason of the number and variety of the activities recorded is ample

proof of the vigour of the profession in Eire and Northern Ireland.

### Scottish Institute's Examinations

THE first examinations under the new syllabus of The Institute of Chartered Accountants of Scotland were held in April and the results are now announced.

There were one hundred candidates for Part I (A) of whom seventy-four (74 per cent) passed. In Part I (B), 329 candidates sat of whom 294 (89.1 per cent) passed. In Part III (A) there were 400 candidates of whom 211 (52.7 per cent) passed, the John Mann Prize for the most meritorious performance being won by Mr B. D. Drysdale, of Perth. In Part IV, 438 candidates sat of whom 244 (55.9 per cent) passed, the Albert J. Watson Prize for the two candidates whose performances were the most meritorious being won by Mr J. M. Miller, of Edinburgh, and Mr C. J. N. Williams, also of Edinburgh.

The names of the successful candidates in Part IV (which, with Part V being held this month, corresponds broadly with the second division of the former Final examination) are published elsewhere in this issue.

### Medical Specialists and Income Tax

ON Monday the House of Lords reserved judgment on the appeal by the Crown against the decision of the Court of Appeal in *Mitchell and Edon v. Ross* (39 A.T.C. 52). The Court of Appeal held in March last year that part-time medical specialists employed in the National Health Service were assessable to income tax under Schedule E in respect of their part-time appointments, but in so far as their expenses were not allowable under Schedule E rules such expenses could be allowed against their professional income assessed under Case II of Schedule D. The Crown sought to disallow such expenses.

### Surtax Apportionment to Loan Creditors Discharged

THE Court of Appeal has allowed the appeal of R. Woolf & Co (Rubber) Ltd against last November's decision of Mr Justice Danckwerts, that holders of debenture stock issued by a trading company were

'members' for the purpose of the surtax direction provisions. Section 255 (2) provides that in Chapter III of Part IX of the Income Tax Act, 1952 (which deals with surtax directions on companies), the word 'member' in relation to any company shall include 'any person having a share or interest in the capital or profits or income of the company'. The case arose out of the formation of a new company following the death of one of the principal shareholders in an old company. The new company's issued capital was distributed largely among sixteen family trusts and no five shareholders held between them more than 49 per cent. The new company bought the issued capital of the old company in consideration of the issue of £200,000 first mortgage debenture stock and £400,000 second debenture stock. It then bought the old company's undertaking. The new company paid 6 per cent interest, and £13,125 per annum to a redemption fund. In computing its actual income the interest was deducted.

The Special Commissioners held that the debenture stockholders were not 'members' and that even if they were members they did not have any interest in the income and accordingly no apportionment could be made to them. Danckwerts, J., reversed this decision of the Special Commissioners but the Court of Appeal (according to *The Financial Times* of May 11th) have restored that decision, and have rejected the Crown's application for leave to appeal to the House of Lords.

Lord Justice Donovan said that if the statutory definition of 'members' covered loan creditors with a fixed charge, it was odd that the Act did not empower the Special Commissioners to discover the beneficial ownership of debentures held by trustees. If the Crown were right, the definition of 'member' would include unsecured creditor. An interest in the profits meant an interest in the profits as such.

### Finance Bill in Committee

THE committee stage of the Finance Bill began in the House of Commons on Monday, and by Tuesday evening the House had passed clauses 1 and 2 after lengthy debate. Clause 1 imposes the television advertisement tax and clause 2 the duty on heavy oils. Attempts to obtain amendments failed but the Chancellor of the Exchequer promised to look into clause 2 again to see if he could make some concession in favour of oils used for heating glass-houses growing horticultural produce in commercial quantities.

### Trading with the Continent

A PAMPHLET has been issued by the Export Council for Europe called *Trading Opportunities in Europe*. The pamphlet consists of a short general section and brief trading reports on nine continental countries.

The report points out that in spite of shortcomings

there is a good deal of goodwill towards Britain in the countries concerned - Austria, Denmark, Norway, France, Italy, Portugal, Spain, Sweden and Switzerland. The shortcomings are familiar ones; they include broken delivery promises, a 'stop and go' attitude to markets frequently dismissed as marginal when home demand is booming, and a tendency by exporters to assume that the complicated British system of weights and measures and currency are universally acceptable.

The reports on the individual countries which are considered both by countries and by principal industries cover ground which is generally familiar. There are, however, a number of good points of detail made. These include the need to answer letters promptly and to be willing to travel, when this is required, by a trusted agent. Irritation caused by the use of unsuitably sized paper for correspondence is also referred to. It is pointed out that the British style of notepaper does not fit Scandinavian filing systems or photo-copying machines. It is these kind of points which would be particularly valuable for any future pamphlets there might be from the Council. So much has been written about general complaints of British goods and trading practices that there is danger of reactions being dulled in this country. If specific points are raised, however, it enables those reading about them to take concrete action.

### Easing Transport Congestion

IN a pamphlet called *The Cost of Roads*, Political and Economic Planning emphasizes the need for co-ordination plans for road and rail investment. These should be constantly reviewed, in the view of the authors, to promote the best use of available transport resources. The failure to take a broader view of road traffic problems is considered to be one of the most serious omissions in post-war policy. Road and rail transport, and public and private road transport are considered to be, for many purposes, alternative ways of transporting people and the object of policy should be to provide for their transport at the lowest cost consistent with the desired standards of convenience.

P.E.P. does not think that road construction alone is the complete answer to traffic congestion especially in urban areas. It also questions the concentration of expenditure on rural motorways, saying that the total Government expenditure on trunk roads, including motorways, will take 75 per cent of the spending on new roads and major improvements, leaving an inadequate balance for highway authorities to use on major works on classified roads and road repair work.

Unfortunately for the pamphlet and also for the Government, there is a continuing pressure from the public to own private cars. The more of these which are put on the road, the more difficult does it become to find a break-even point for public transport undertakings. If people insist on having private cars it becomes increasingly difficult to provide them with

buses with low fares. The result must be a shrinking in public transport undertakings and this immediately comes up against the vested interest of the transport workers. There is continuing pressure from that side to maintain public transport systems at a size greater than their economic position justifies.

### Jenkins Committee: The Institute's Oral Evidence

THE oral evidence of The Institute of Chartered Accountants in England and Wales to the Com-

pany Law Committee was published by H.M. Stationery Office as we went to press last Wednesday. Witnesses for the Institute were Mr Henry Benson, C.B.E., F.C.A., Sir Thomas Robson, M.B.E., M.A., F.C.A., Mr P. F. Granger, F.C.A., and Mr F. M. Wilkinson, F.C.A. Their evidence will be reviewed in next week's issue.

On the same day, the eighteenth day of the Committee's public sittings, evidence was also heard from representatives of the Federation of British Industries.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 77

THE chairman asked me for a detailed list of the surviving pensioners of the company, and it was surprising what it revealed. We normally retire our staff on a compulsory arrangement at the age of 65, with occasional exceptions who are kept to the age of 70, but they often seem to take a new lease of life when they leave us. Male expectation of life is about 78 years nowadays, and we actually have twenty pensioners over the 80 mark.

It was here that the trouble started. When these people left us, they were paid on an informal *ad hoc* arrangement such as was usual in the old days. The weekly figure averaged about £3; there was no contributory scheme in operation. Today, that £3 doesn't buy so much.

Like Oliver, our old pensioners want some more. They sent a round-robin appeal to Prinny, who rejected it out-of-hand as he does with all new requests; he's found this a helpful basic principle. A second application was answered by an explanation that the suggestion was too costly to be feasible. The third application has just come in. It's quite straightforward: they just want some more.

We had quite an interesting discussion. Prinny likes to play to the rules; the pensioners were not entitled to anything extra; ergo, we refuse. The deputy-chairman stuck out his truculent jaw and spoke of mounting overheads and unjustified extravagance; to pay more than we must was a bad precedent - the unions would quote it for years to come.

The chairman was uncertain. He felt that the statutory old-age pension of the Welfare State should look after them; he obviously wanted a unanimous decision. The managing director was the snag; he was all for meeting the claim. His voice was calm and his smile was courteous as he spun out the argument, but

his heels were dug in. 'These people were old and helpless and *they were ours*; granted they'd made no case, we must make it for them.

'Their's not to reason why', he quoted, and the deputy-chairman snorted irritably. How the words took me back in memory; I used to recite Tennyson's *Charge* when I was 9 and get a half-crown for it from my father. On the wall was a print of Lady Butler's picture of the survivors staggering back from the valley, and I used to give full value to 'Oh, the wild charge they made'. Then, later, there was Kipling's savage ballad about the fate of the destitute remnant afterwards:

'You wrote we was heroes once, sir;  
Please write that we're starving now.'

The directors, fencing over the paltry extra, were beginning to annoy me . . . what had Cecil Woodham-Smith written about the noble general dining in the luxury of his private yacht while the wrack of the Light Brigade lay untended? . . . however, I'd better be tactful.

At that crucial moment, the chairman suddenly asked me if I thought they had any grounds for their claim. I tried to talk in a detached tone but it came out hot and strong. 'We've a moral obligation to look after these poor old people; it's a sin to pay inadequate pensions while our profits are so good. It's enough to put a jinx on our figures.'

The meeting sat silent for a long moment. The raised eyebrows and detached expression of the managing director . . . the angry scowl of the deputy-c. . . the sudden explosive laughter of Prinny: 'Well, you certainly asked for it, chairman' . . . and finally the chief, with quiet authority, his mind made up: 'If there are no further objections to paying an increment . . . none? . . . perhaps the personnel manager will arrange an appropriate increase.'

Prinny smirked cheerfully at me for the rest of the meeting. Once the decision was taken by someone else he was quite ready to concur. The deputy-chairman was clearly furious; he seemed to take my tactless remark as a personal barb and glowered hotly at me, though he was not prepared to argue the case further. For once his annoyance was palpable; I'll have trouble with him some day, and unfortunately, we're both beginning to feel it.



For the purpose of the accounts, the auditors state, the receipt of the £354,314 10s 5d has been ignored. The amount had been included in the balance sheet under 'Balance due or outstanding on mortgages' and the cash at bank has been reduced by a similar sum. The auditors' special report ends as follows:

If the payment of interest referred to in (1) above and the repayment of capital referred to in (2) had taken place on December 31st, 1959, the balance of cash would have been fully absorbed and there would have been an overdraft of £14,315 7s 1d.

JAMES E. WARD & SON  
PEAT, MARWICK, MITCHELL & CO. } Chartered Accountants



# Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

## Long-term Growth of Investments

SIR, — I have only just come across the fascinating article on 'Long-term growth of investments', by Mr Peter Baily, in your December 17th issue. It was of great interest since the course of action analysed there is, of course, open to anyone.

The attractiveness of such a course depends most of all on the probable rate of growth in the value of the units. Mr Baily argues that a 12½ per cent annual growth is not improbable. This he bases on the increase in *The Financial Times* Ordinaries Index between 1940 and 1960.

This seems to me very misleading evidence. His starting-point is the all-time low of the index and his finishing point the all-time high (at the date of the article); and over the same period, the average value index for consumers' expenditure (see *London and Cambridge Economic Bulletin*) rose by more than 160 per cent.

It is open to anyone to choose his period for discussing changes in an index, and 1946 to 1960 seems no worse than most. Over those fourteen years, Moody's Index (in the *London and Cambridge Economic Bulletin*) rose by 188 per cent. But if we allow for the increase in prices, the index rose by 75 per cent in real terms, a mere 4 per cent per annum. Even over Mr Baily's chosen period, the annual rise in real terms is only 5 per cent.

Since we are presumably interested in the growth of capital in *real* terms, the best that we can hope for on the basis of experience so far is much less than the rates of growth suggested in Mr Baily's article.

Yours sincerely,

R. G. OPIE.

*London School of Economics, WC2.*

[Mr Peter Baily writes: Of course I agree that real purchasing power is hardly likely to increase by much more than 4 or 5 per cent. The problem is to choose a form of savings which outpaces inflation while participating in any real economic growth which occurs. The corresponding growth rates in money terms look unexpectedly high, but what is the value in real terms of the several forms of savings which yield only 4 or 5 per cent in money terms?

The reason I chose a period over which *The Financial Times* index enjoyed a high growth rate was, of course, that I was adducing it to illustrate the even greater growths which actually occurred in two pension funds over the whole periods of their existence. There is no reason why we should not use your correspondent's figures instead. A rise of 188 per cent between 1946 and 1960 is an average rate of 8 per cent a year.

If we correct for reinvested revenue at, say, 4 per cent we get a combined rate of 12 per cent a year. A thirty-five-year-old man would accumulate over £6,000 by the time he was 65, if he put away £25 a year and his savings grew at this rate; enough for a £650 a year pension.]

## Graduates and the Profession

SIR, — The Council of The Institute of Chartered Accountants in England and Wales has made repeated efforts, as of late, to increase the recruitment of university graduates into the profession. It therefore comes as a surprise to read recommendation (41) of the Parker Committee:

'That, except at the Council's discretion, candidates should not be permitted to sit any of the examinations after the expiry of articles unless they have successfully sat the Intermediate examination during articles.'

If this recommendation, in its present form, is endorsed by the Council, the effect on graduate recruitment is likely to be serious, and for the following reason: an articulated clerk, who has successfully completed an 'approved university degree course' comprising accountancy, law and economics, and has applied for and been granted exemption from the Institute's Intermediate examination, will find it impossible — 'except at the Council's discretion' — to enter the profession if he does not pass the Institute's Final examination before the expiry of his articles.

Security is important to everyone and although a graduate, who has taken an approved university degree course, may feel confident of passing the Institute's Final examination he still wishes to be certain that he will be able, should the need arise, to sit the Final examination after the expiry of his articles. If this certainty is taken away from him he may well cease to consider the possibility of becoming a chartered accountant.

Surely this implicit suggestion of discrimination against people who have attained an academic accountancy qualification by a different route is unreasonable and cannot but deter them, many of whom would have passed the Final examination at the first attempt, from entering into articles.

I appreciate that recommendation (41) is designed to ensure that unsuitable persons are not admitted to the profession but it runs the terrible risk of emptying the baby out with the bath water.

I therefore humbly suggest that recommendation (41) be amended to read:

'That except at the Council's discretion, candidates should not be permitted to sit any of the examinations after expiry of articles unless they have successfully sat, or been granted exemption from, the Intermediate examination during articles.'

Yours faithfully,

W. J. RICHARDSON, B.A.

*North Reddish, Cheshire.*



**Witch-doctor's Fees: Professional Charges?**

SIR, — We have in the past read with interest your experts' views and members' opinions on the interpretation of current accountancy practice. We appreciate that in matters of consolidated balance sheets, take-over bids, budgetary finance, and other matters of a similar nature, that you are able to obtain clear and lucid replies and information for your correspondents. We therefore wonder if you can be of assistance to us in a current problem with which we have recently been faced.

We have been auditing the books and records of an African sporting association in this city, and in doing so we came across the item of £27 for medical expenses. Referring this item (for which there were no receipts or vouchers attached) to the treasurer and secretary of the association, we were informed that these expenses were incurred for the purpose of obtaining the assistance of an *nganga* (witch-doctor) to improve the fortunes of the association which had been seriously under a decline. It further appeared that these services produced excellent results in that the association won back all the trophies previously lost, and except for their failure to prevent rain in two matches which were 'rained off', the results of the consultation were satisfactory to all concerned.

Our difficulty was in deciding as to the relevant heading in the revenue and expenditure account. It could by some authorities be considered as some form of match or weather insurance and as such charged to the insurance and licence item. On the other hand, it might more properly be considered a charitable

donation by disbelievers such as ourselves and could be placed under the heading 'gifts and donations'. Yet again, one could consider that the witch-doctor as such was an employee, and could rightfully be charged under the item 'referees, gatekeepers, etc.'. It was, in our opinion, incorrect to conceal the nature of this item from the members by charging same under sundry or general expenses, but we seriously considered that the correct procedure was to place it along with our accountancy fees and legal charges under the general heading of 'Professional charges'.

The importance of the correct delineation of this item arose from the fact that when it was charged in the previous year's accounts, it caused a riot among the members at the annual general meeting. No doubt this was due to the employment of the wrong *nganga*. As we have shown it separately again in our accounts this year, no doubt there will be further rioting at the annual general meeting, and in order to avoid this in the future the views of your correspondents could well be of considerable assistance to us.

Yours faithfully,

P. A. BRIDGER, F.C.A., C.A.(S.R.),  
BRIDGER, WICKER & CO,  
Chartered Accountants.

Salisbury,  
S. Rhodesia.

P.S. — You may think we are pulling your leg. We assure you we are not and can produce a photostat copy of the expense sheet showing this item and our accounts if you require evidence of our veracity. It is just one of the hazards of practising in modern Africa.

## Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

### Johnson v. Jewitt

In the High Court of Justice (Chancery Division)  
May 1st, 1961  
(Before Mr Justice BUCKLEY)

*Income tax — Loss claim — Share-dealing firms — Value of shares after dividend — Shares brought in at cost — Whether loss sustained — Valuation of shares as trading stock — Whether trade being carried on — Income Tax Act, 1952, Sections 127, 142, 341, 526.*

The appellant was in partnership with two other people as company promoters and dealers in securities (the Newcastle firm). In August 1954, that firm bought 1,000 shares in Powell Duffryn Ltd, and sold them in August 1955, and that purchase established the starting date of the firm's business. In February 1955, the firm was allotted all the shares in a company dealing in securities (Ash) and the shares were brought

into the firm's accounts at £184 10s 3d. In March 1955, Ash bought 1,000 shares in the Distillers Co Ltd and almost immediately sold them at a small profit. The profit and loss account of the firm for the period ended August 9th, 1955, showed a loss of £274 9s 1d, and the partners were allowed relief under Section 142 of the Income Tax Act, 1952, in respect of this loss.

In December 1955, the firm acquired all the shares of twenty newly-formed investment companies (the original Newcastle investment companies). When these shares were acquired each company had a paid-up capital of £100 and a credit balance of £50,000 at its bank. Each company had obtained its £50,000 by way of gift, and the donor had borrowed the £50,000 from the firm. The firm paid £50,125 for the shares, and the donor repaid the loan and retained £25 as its profit. The same process was applied to each of the other twenty companies in turn, and the necessary £50,000 was borrowed from the preceding company. Taking all the twenty companies together the firm paid twenty times £50,125, that is to say, £1,002,500. The combined assets of the twenty companies consisted of cash, twenty times £100 (£2,000), debts owing by the firm, twenty times £50,000 (£1 million).

In March 1956, Ash acquired the shares in twenty



other investment companies (the Quayside investment companies) by the same kind of process, and paid twenty times £50,125, that is to say £1,002,500 for the shares. For this purpose Ash borrowed from the Newcastle firm £952,500, and the firm borrowed from nineteen of these companies nineteen times £50,000, that is to say, £950,000. When Ash became the shareholder in each of the twenty companies, their total assets consisted of cash, twenty times £100 (£2,000), debts owing from Newcastle, nineteen times £50,000 (£950,000) and a capital reserve in one company of £50,000. Later in March 1956, the Newcastle firm acquired the shares in nineteen other companies (the Securities companies), and the method of acquisition was the same as before.

On March 12th, 1956, Ash and the Securities companies formed a partnership called Quayside Securities Co as a business dealing in stocks and shares (the Quayside firm), and the firm took over the business of Ash. Ash contributed £150 to the firm's capital, and the Securities companies £50,000.

The first profit and loss account of the Quayside firm was for the period ended April 5th, 1956, and it had an opening stock figure of £1,278 11s representing the 1,000 Distillers shares at cost. The £950,000 contributed to the capital of the firm by the Securities companies was applied in repaying the loan of that amount due by Ash to the Newcastle firm in connection with the acquisition by Ash of the shares in the Quayside investment companies. The purchase of the shares in the twenty Quayside investment companies was shown in the firm's profit and loss account as 'Purchase of shares, £1,002,500'.

In July 1956, each of the original Newcastle investment companies declared a dividend of £49,000. In the same month the Newcastle firm acquired the shares in another twenty investment companies by the same process (the new Newcastle investment companies), and at the beginning of August 1956, each of these twenty companies declared a dividend of £49,000. On April 5th, 1957, each of the forty Newcastle investment companies declared a dividend of £1,000; and nineteen of the twenty Quayside investment companies distributed a dividend of £49,935, and the other company one of £49,735. On the same day each of the nineteen Securities companies distributed a dividend of £49,910 amounting to £948,290. On April 6th, 1957, all the shares in the forty Newcastle investment companies and in the nineteen Securities companies were sold by the Newcastle firm for £10,554 2s, which was a fair price.

The second profit and loss account of the Quayside firm was for the period to April 5th, 1957, and the opening item was 'Stock £1,002,500' and there were management expenses of about £200. On the credit side were 'Stocks, £1,002,500' and 'Dividends received, £998,500'. A profit of £998,308 18s was shown, and the balance after providing for taxation was added in equal shares of £28,701 6s to the capital accounts of the twenty partners in the Quayside firm.

The second profit and loss account of the Newcastle

firm was for the period to August 9th, 1956, and showed opening stocks at £184 10s 3d, which was what the shares in Ash had cost the firm. The next item was 'Purchase of shares, £2,957,375', which was the cost of the shares in the original Newcastle investment companies, the Securities companies and the new Newcastle investment companies. The remaining items on the debit side related to management expenses amounting to about £350. On the credit side there were the items 'Stocks at date, £2,957,559 10s 3d' and 'Dividends, £1,960,000'. The first of these items represented the shares in Ash, in the Newcastle investment companies and in the Securities companies at cost, and the second represented the dividends, each of £49,000, declared by the forty Newcastle investment companies. Thus the credit side of the account showed both the cost of the shares held by the Newcastle firm and also the dividends the firm received from the same companies, and the accounts showed a profit of £1,959,641 10s.

The final profit and loss account of the Newcastle firm was for the period to May 26th, 1957, and showed opening stocks at £2,957,559 10s 3d and the only other debit items were management expenses of about £245. On the credit side was shown the sale of the shares for £10,554 2s, £190 13s 5d, representing the shares in Ash, dividends of £40,000 and a net loss of £2,907,060 6s 2d. The appellant's share of this loss was shown as £1,301,629 14s 1d. For some reason the dividends of the Securities companies, amounting to £984,290, were treated as a capital receipt in the Newcastle firm's accounts.

The appellant claimed relief under Section 341 of the Income Tax Act, 1952, in respect of one-third of that sum, namely, £316,096 13s 4d.

The General Commissioners decided that no trade was being carried on by the Newcastle firm or the Quayside firm; and that the various transactions giving rise to the loss claim were not trading transactions. They decided that if they were wrong in this decision, the value of the closing stocks in the profit and loss account of the firm could not be taken at cost price. The General Commissioners decided further, that the dividends of the forty investment companies in the period to August 9th, 1956, and in the period to May 26th, 1957, were not paid out of taxable profits. They therefore refused the claim for relief in respect of the loss.

*Held:* the General Commissioners' decision was correct.

### Jeffery v. Rolls-Royce Ltd

In the Court of Appeal – April 26th, 1961

(Before Lord Justice HOLROYD PEARCE, Lord Justice UPJOHN and Lord Justice DONOVAN)

*Income tax – Trade – Sales of know-how – Whether receipts taxable.*

The respondent carried on the trade of manufacturing and selling motor-cars and the manufacture and sale of aircraft engines. For the purposes of the



trade the company conducted metallurgical research and discovered and developed engineering techniques and secret processes and, generally, accumulated a fund of technical knowledge, or know-how, only a small part of which was capable of being patented. Until after 1945 the company turned this know-how to account only in carrying on its own trade; but from 1946 to 1953 the company made a number of agreements with foreign governments and businesses, whereby in consideration of a lump-sum payment the company undertook to supply the other party with drawings and information to enable it to manufacture some types of the company's aircraft engines. It was also a part of the contracts that the respondent would advise the other party from time to time of improvements and modifications in the manufacture and design of the engine in question, as and when the British Government permitted the respondent so to do. The agreement bound the other party to keep the drawings and the information secret; and the company would receive personnel of the other party into

its works or buildings with a view to instructing them in the construction of the engines.

It was contended on behalf of the respondent that its trade was that of manufacturing motor-cars and aircraft engines, and that the sale of know-how was not a part of its trade; that the research leading to the acquisition of the know-how had not been for the purpose of earning profits by selling or licensing know-how, but for the more efficient production of motor-cars and aero engines; and that the lump-sum payments received under the agreements could not be included in the computation of the respondent's profits for tax purposes. It was contended on behalf of the appellant that these sums were receipts of a revenue nature of the respondent's trade, and should be included in computing the profits thereof. The Special Commissioners accepted the respondent's contentions and allowed the appeal.

*Held* reversing the judgment of Mr Justice Pennycuik: the sums in question were receipts of the respondent's trade.

# For Students

## AUDITING

### Verification of Liabilities

#### Question

*State what steps you would take to verify the following items appearing as liabilities in the balance sheet of a limited company:*

- (a) £500,000 5 per cent debenture stock, issued to the public in 1950 and secured by a floating charge on the assets of the company.
- (b) £50,000 5½ per cent mortgage, secured on The Crown Hotel, a freehold property owned by the company.
- (c) £15,000 bank overdraft, secured by a joint and several guarantee given by the directors of the company.
- (d) £49,000 proposed final ordinary dividend (net).

#### Answer

The following steps should be taken to verify the items in question:

(a) The deed constituting the debenture stock and securing it by a floating charge on the company's assets should be examined. The certificate of registration of the charge issued by the Registrar of Companies and the entry in the register of charges kept by the company should be inspected. The balances on the accounts of the holders of the stock in the register of debentures should be agreed in total with the amount of stock outstanding, as shown by the debenture stock account, in the financial ledger.

Debenture interest paid during the year should be verified, seeing that the correct amount of income tax has been deducted therefrom. The provision made for debenture interest accrued but unpaid at the date of the balance sheet should be checked.

(b) The copy of the mortgage deed in the company's possession should be inspected, noting the terms thereof as to interest, repayment of principal, and insurance of the property. The last receipt for insurance should be seen, and the payment of interest and provision for accrued interest verified, as in the case of the debenture stock. A certificate should be obtained from the mortgagee as to the custody of the title deeds of the property, and of the amount of the charge outstanding including accrued interest.

Similar steps should be taken as in (a) to verify the registration of the charge and the entry in the register of charges.

(c) A certificate should be obtained from the bank, showing the amount of the overdraft at the close of business on the balance sheet date, and giving particulars of the guarantee held, and of the interest accrued to date. A copy of the guarantee given by the directors should be seen. The bank reconciliation statement should be checked, and it should be ascertained that all outstanding items at the date of the balance sheet have been subsequently cleared.

(d) The directors' minute recommending the dividend should be inspected, and the gross and net amounts thereof checked by reference to the ordinary shares in issue, and the provisions of the articles as to the payment of dividends. It should be seen that the net amount of the proposed dividend is disclosed in the balance sheet under the classification of 'current liabilities'.

In the cases of (a), (b) and (c) it should be confirmed that the borrowings are within the powers conferred by the memorandum and articles of association, and that secured liabilities are so described in the balance sheet. In regard to (c) although the bank overdraft is



not secured by a charge on any of the assets of the company, it is considered that a note should be appended indicating that the liability is secured by a joint and several guarantee given by the directors of the company, to ensure that the balance sheet shall disclose a true and fair view of the financial position of the company.

### FINANCIAL KNOWLEDGE

#### Basic Principles of Investment

#### Question

*'Of those who have profited greatly over a long period by investment, few have been lucky enough to do this by pure speculation.' Comment on this statement and frame a list of what you consider to be the basic principles of wise investment.*

#### Answer

The statement is undoubtedly true; to disprove it it would be necessary to show that over a long period either few have profited greatly by investment or that if many have profited most have done so by pure chance. Under certain conditions, which may operate for certain comparatively short periods, nearly all investments may increase in value irrespective of their intrinsic merits. In such a period an investor may benefit considerably without exercising any very marked skill in the selection of his investments. In the long run, however, such tendencies are invariably reversed, the reversal is nearly always sudden and the investor who has not had the foresight to anticipate this reversal may lose in a few days the gains of a year or two.

The basic principles of wise investment may be summarized as follows:

- (a) *Buy low and sell high.* It may not always be possible to buy investments at the lowest point of a trough, or to sell at the highest point of a wave, but a skilful investor will approximate to this.
- (b) *Spread risks.* The wise investor will avoid locking up too great a proportion of his resources in any one investment, however great its advantages may otherwise be.
- (c) *Marketability.* Investments purchased in recognized markets such as the London Stock Exchange can usually be sold in the same market if conditions make such a course desirable. Investments acquired by private contract, on the other hand, may prove unrealizable under adverse conditions.
- (d) *Income yield.* The investor who seeks to obtain capital appreciation is not usually concerned to secure a large annual income from his investments. Nevertheless, the market value of an investment is very largely determined by the income it produces. The soundest investments are usually those which show a relatively low but gradually increasing income return, such as equity shares in sound industrial companies which consistently 'plough back' a substantial part of their profits.
- (e) *Taxation.* Taxation considerations play an ever increasing part in determining what is a sound investment and what is not. They may lead to a choice of investments in countries where the level

of taxation is not as high as it is in the United Kingdom. Some countries, however, have taxes on capital gains which may make them less attractive to the investor.

- (f) *Expert advice.* The wise investor will usually buy his investments in recognized markets and take the advice of experts in those markets before doing so. He should, however, be sufficiently well versed in financial topics to be able to exercise his own judgement.

### COMPANY LAW

#### Duties of Auditors

#### Question

*What are the duties of an auditor under the Companies Act, 1948, in relation to:*

- (a) *his own appointment and remuneration;*
- (b) *the statutory audit;*
- (c) *the statutory books;*
- (d) *the form and contents of group accounts?*

#### Answer

The duties of an auditor under the Companies Act, 1948, in relation to the following, are:

- (a) (i) *Appointment.* The auditor, on being appointed, should ask to see the minute of the resolution appointing him. He should also satisfy himself that the provisions of Sections 159 and 160 relating to the appointment and removal of auditors have been complied with.
- (ii) *Remuneration.* Where the remuneration is not fixed by the members in general meeting, the amount must be disclosed as a separate item in the company's profit and loss account. (For the purposes of Section 159, Companies Act, 1948, the expression 'remuneration' includes expenses.)
- (b) *Statutory audit.* The auditor's duty is to certify so much of the statutory report as relates to:
  - (i) the shares allotted by the company;
  - (ii) the amount of cash received in respect of such shares;
  - (iii) the receipts and payments of the company on capital account.
- (c) *Statutory books.* Under the Ninth Schedule to the Companies Act, 1948, the auditor's duty is 'to report to the members that proper books of account have been kept'. Therefore, where such books have not been kept, the auditor should qualify his report to the members. It would appear that an auditor has no specific duties under the Act in respect of statutory books (e.g. register of members) other than books of account.
- (d) *The form and contents of group accounts.* In the case of a holding company submitting group accounts the auditor is required to report whether, in his opinion, the group accounts have been properly prepared in accordance with the provisions of the Companies Act, 1948, so as to give a true and fair view of the state of affairs and profit and loss of the company and its subsidiaries dealt with thereby, so far as concern members of the company (subject, where appropriate, to the non-disclosure of any matters - to be indicated in the report - which by virtue of Part III of the Eighth Schedule to the Act are not required to be disclosed).



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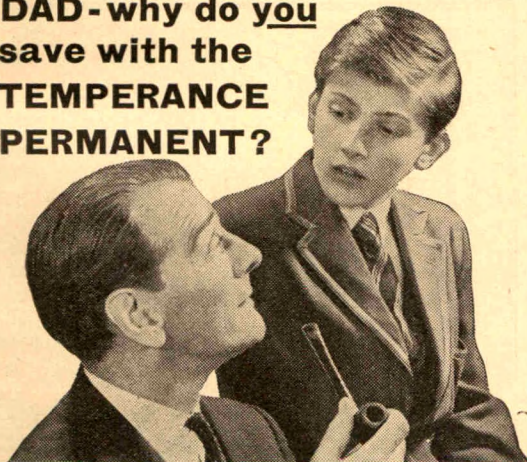
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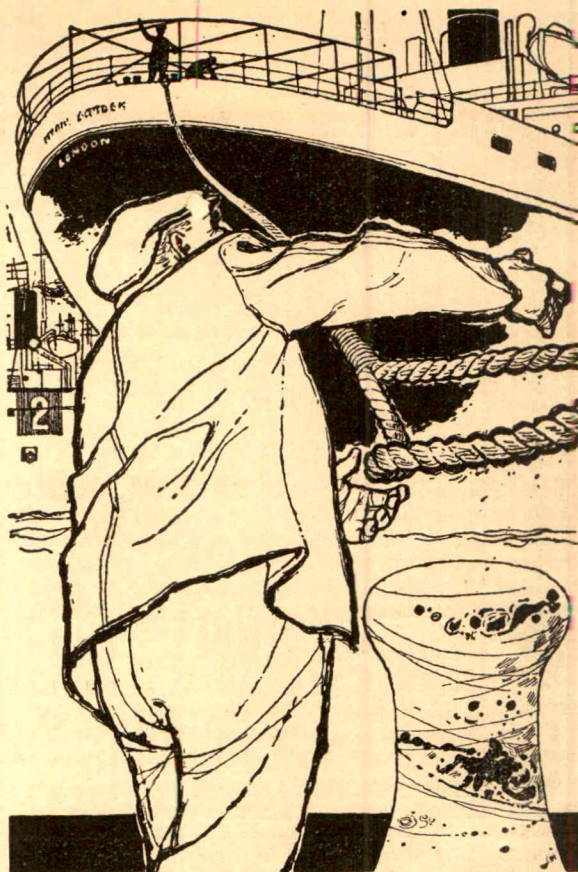
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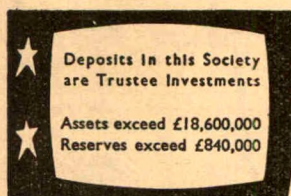
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# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

## SEVENTY-THIRD ANNUAL GENERAL MEETING

Mr G. E. Cameron, F.C.A., presided at the seventy-third annual meeting of The Institute of Chartered Accountants in Ireland held in Dublin on May 6th.

### PRESIDENTIAL ADDRESS

In the course of his address, submitting the Council's report and the statement of accounts for the year 1960, Mr Cameron said:

The accounts show a surplus of income over expenditure of £2,462. Last year we had the benefit of a new



Mr G. E. Cameron

source of income, fees payable on the registration of articles. From the fees received we have set aside £717, the estimated amount payable to our district societies in respect of students' subscriptions. The balance of £2,622 has been credited to revenue account. When considering this new source of income we should not overlook the fact that examination fees are levied on a basis calculated to cover only the direct costs of exami-

nations, whereas a considerable part of our administrative and establishment expenses is attributable to examinations.

### Recruitment and Training for the Profession

The future of the accountancy profession depends upon the recruitment of an adequate number of young men and women with the necessary standard of education and upon the quality of their subsequent training. The State-aid available for university students on the one hand and the immediate rewards offered by industry and commerce on the other now make it more difficult to recruit articled clerks of the right type. During the year the Council and the district societies have done much to stimulate interest in the profession amongst those leaving school. We have distributed widely a booklet entitled *Accountancy as a Career* and have arranged for speakers to visit many schools. Recruitment has shown a marked improvement and it is gratifying that increasing numbers of university graduates are entering into articles.

### New Examination System

Later this month and early in June we shall be holding the first of the new type examinations. The introduction of the new syllabus entailed much thought and work and our thanks are due to the two committees concerned, the Examination Committee and the Education and Training Committee. Transitional difficulties were inevitable but every effort has been

made to minimize hardship and the Council is confident that the spreading of the examinations over five parts will result in a higher standard of knowledge and proficiency in the future members of the Institute.

### Policy

The Policy Committee has continued to direct its attention to the future policy of the Institute and to the ways in which policy should be implemented. With a view to improving the two-way flow of information and opinions between the Council and members it has been decided to introduce a *Members' Bulletin* to be issued some three or four times per year and also to set up a consultative committee of members holding industrial, commercial and administrative positions.

The Policy Committee is at present considering whether the division of membership into 'Fellows' and 'Associates' should continue and if it is to do so whether fellowship should be open to non-practising members. The regulations restricting fellowship to members in practice are contained in the Royal Charter but when the Charter was drafted in 1888 nobody contemplated the possibility that approximately one-half of our members would be employed in industry and commerce or in Government and local government service. I do not believe that fellowship was ever intended to distinguish between practising and non-practising members. Members who take up such full-time appointments are not regarded as having left the profession but rather as performing recognized professional functions in their respective spheres. The Council has demonstrated its approval of this view by its policy of bringing such members closely into the life and activities of the Institute. Any alteration in the regulations governing fellowship would necessitate an amendment of the Royal Charter and this would require special legislation in the Republic of Ireland and the consent of the Privy Council of Northern Ireland.

### Company Law and Accounts

A new Companies Act came into operation in Northern Ireland on April 1st last and the Minister for Industry and Commerce in the Republic of Ireland has recently stated that a comprehensive Bill to amend and consolidate company law will shortly come before the Dail.

The Council welcomes the modernization of company law in Northern Ireland and has played a considerable part in influencing the new legislation. For some time the new Act may give rise to difficulties and delays but I am confident that before long the benefits of the new provisions relating to company accounts will be much in evidence. Pending the introduction of the proposed new legislation in the Republic of Ireland I personally hope that our members will do what they can to influence their clients to present accounts which conform with modern accountancy practice.

While on the subject of company law I wish to make some personal remarks on the new statutory provisions relating to the accounts of Northern Ireland com-



panies. In my opinion the greatest benefit will accrue from the increased emphasis and importance to be attached to the profit and loss account. The trend of profits is the best indication of the prosperity of a business and the value of the assets depends largely on the maintenance of the business as a going concern. The profit and loss account is, therefore, as important as, if not more important than, the balance sheet. For the first time company legislation lays down minimum requirements as to the contents of the profit and loss account and requires it to give a true and fair view of the profit or loss for the period covered by the account. It must be drawn up in accordance with accepted accountancy principles consistently maintained and special attention must be called to any change of a material nature, e.g. a change in the basis of stock valuation. Also for the first time the auditor has a specific statutory duty to report on the contents of the profit and loss account.

The new Act also lays down minimum requirements regarding the form and contents of the balance sheet. While many balance sheets will give more information than before, they will, I fear, continue to be misunderstood by people outside the accountancy profession and continue to be criticized as inadequate by economists and others. As accountants we know that so far as fixed assets are concerned a balance sheet is an historical document and does not purport to show the realizable value of fixed assets at a particular date. If a balance sheet were to attempt to show the net worth of a company the fixed assets would require to be revalued at yearly intervals and the information thus given would be deceptive since the value of such assets while the company is a going concern will, in most cases, have little or no relation to the value if the undertaking fails. Periodical revaluation of fixed assets is something of a compromise solution. There is also much misunderstanding about the gap which so often exists nowadays between the nominal amount of issued equity capital and the net assets representing such capital and the relationship of dividends paid to the real capital employed. Periodical 'scrip' issues go some way towards correcting this anomaly. Clearly there is need for research and scope for further development in company accounts.

### Stock-in-trade and Work in Progress

One particular aspect of the accounts of most businesses which calls for special attention is the treatment of stock-in-trade and work in progress. Circumstances vary so widely that no one basis of valuation is suitable for all types of business. This fact is recognized and accepted by the accountancy profession but the Revenue authorities would prefer a uniform and prescribed method of valuation for all taxpayers. The recent decision of the House of Lords in the *Duple Motor Bodies* case gives support to the attitude of the accountancy profession. In that case the Revenue claimed that a part of the overhead expenses should be included in the valuation of work in progress but the House of Lords confirmed the company's long standing practice of including only the cost of direct labour and materials. In other words the House of Lords accepted in a particular case the 'direct cost method' as opposed to the 'oncost method'.

While within the profession opinions may differ as to the merits of the various recognized methods or as to which is more appropriate to a particular case, all

are agreed that adequate books and records should be kept, that the method of valuation adopted should be based on sound accounting principles and should be consistently applied from year to year. The time is long past when the auditor can leave this difficult problem to his clients and place reliance on the *Kingston Cotton Mill* case. If he is to carry out his functions properly he must give more attention than he has done in the past to the valuation of stock-in-trade and work in progress.

### Services to Clients and Employers

Practising members provide for their clients many services in addition to auditing and taxation work. More and more attention is now being given to what we term 'management accounting'. The term is comparatively new, but our members—both as independent advisers and as full-time executives in industry and commerce—have for many years been using their skill to produce accounting information which would assist management in the formulation of policy and the day-to-day control of business. This is, however, a field in which new techniques are constantly being devised and it is essential that we should keep in touch with the latest developments. I do not, of course, suggest that all chartered accountants are competent to advise management on all its problems. Circumstances may arise where clients or employers require specialist advice and service. In such cases we should not hesitate to recommend the use of qualified management consultants; at the same time doing our best to ensure that the proper type of consultant is engaged.

I wish to conclude my presidential term by expressing my most sincere thanks to all those who have helped me so much during an interesting but strenuous year of office—to the Vice-President and my other colleagues on the Council from whom I have received unfailing help and support, to our capable Secretary, Mr Orr, who is ever zealous for our Institute and whose wide knowledge of our affairs has been invaluable, to our new Assistant Secretary, Mr Lynch, and to all the staff in both Dublin and Belfast.

I now formally propose the adoption of the Council's report and statement of accounts and ask the Vice-President to second this proposal.

The Vice-President, Mr A. E. Dawson, having seconded the motion, the report and accounts were adopted.

### ELECTIONS

#### New President and Vice-President

As announced in last week's issue of *The Accountant*, Mr Alfred Ernest Dawson, F.C.A., Dublin, was elected President for the ensuing year, and Mr Rollo Ellis McClure, M.B.E., F.C.A., Belfast, was elected Vice-President.

#### Elections to Council

The following six retiring members of Council were declared re-elected, no other nominations having been received: Messrs H. E. A. Addy, Belfast; John Bacon, Belfast; A. E. Dawson, Dublin; James Graham, Belfast; N. V. Hogan, Dublin; G. F. Klingner, Dublin.

#### Election of Officers

Mr T. D. Lorimer, F.C.A., Joint Secretary and Treasurer, Belfast, and Messrs William Duffield, and H. H. Forsyth, Auditors, were reappointed.



## BENEVOLENT ASSOCIATION

The thirty-second annual meeting of The Irish Chartered Accountants' Benevolent Association was held at *The Royal Hibernian Hotel*, Dublin, on May 18th, prior to the annual meeting of the Institute.

The President, Mr G. E. Cameron, F.C.A., was in the chair and there were thirty members present.

On the proposal of the Chairman, seconded by

Mr Patrick Butler, the report and accounts were adopted.

The honorary auditors, Messrs William Duffield and H. H. Forsyth, were unanimously reappointed on the proposal of Mr J. C. Oakes seconded by Mr A. S. Boyd.

## MEETINGS OF THE COUNCIL

Special and ordinary meetings of the Council of The Institute of Chartered Accountants in Ireland were held in Dublin on May 5th.

The President, Mr G. E. Cameron, was in the chair, and were also present: Messrs A. E. Dawson, *Vice-President*, John Bacon, A. S. Boyd, G. A. P. Bryan, Frank Ireland, James Graham, N. V. Hogan, G. F. Klingner, John Love, R. E. McClure, R. J. Neely, R. P. F. Olden, L. W. Robinson and D. McC. Watson with the *Secretary and Assistant Secretary* and the *Joint Secretary and Treasurer*.

Apologies for absence were received from Messrs I. M. Connor, J. F. Dempsey and James Walker.

## Deaths

The deaths of the following members were reported and noted with regret:

Cole-Baker, G. E., Associate (Belfast); Neary, J. J., Fellow (Dublin).

## INTERNATIONAL FISCAL ASSOCIATION

## United Kingdom Branch

The report of the United Kingdom Branch of the International Fiscal Association for 1960-61 was presented at the annual general meeting of the Branch held in London on May 10th. There was a further increase in membership during the year.

## Annual Congress

A strong United Kingdom delegation attended the 1960 annual congress at Basle (reported in *The Accountant* of October 15th, 1960) including the Chairman, Mr Charles W. Aston, F.C.A., the Vice-Chairman, Mr Douglas A. Clarke, LL.B., F.C.A., and Mr A. G. Davies, LL.B. British national reports were made by Mr A. Dale, Mr D. E. Richards and Mr K. T. Jewhouse, B.Sc.(ECON.), F.C.A., respectively.

## Branch Meetings

Meetings were held to discuss the results of the Basle congress and the British national reports. Further meetings were addressed by Mr J. M. Hall (Development of the 'dividend stripping' legislation); Professor F. S. A. Wheatcroft (Some aspects of the Finance Act, 1960); Mr Roy Borneman, Q.C. (A recently decided case); Mr E. C. Meade, F.C.A. (Some recent decided cases); Mr H. J. Dammers (An outline of the tax system of the Netherlands); and Mr P. Holdstock (Tax problems connected with loan financing of a United Kingdom subsidiary company by a foreign parent).

## Membership

One application for readmission to Institute membership was acceded to.

The Council accepted the resignation from membership of John Howard Wilson, Associate, Londonderry.

## Associateship in Practice

The following members were admitted to practice:

Carney, John Aloysius (Dublin); Downes, James Cyril (Limerick); FitzGerald, Dermot (Limerick); Mooney, Laurence Joseph (Dublin); Morrow, William Trevor (Limerick); Mullarney, James (Dublin); Ryan, Thomas (Dublin); Templeton, Brian Orr (Belfast); Woods, Francis John (Dublin).

## Committees

Reports were received from the following committees:

Finance and General Purposes, Parliamentary and Law, Taxation and Policy.

## 1961 Congress

The annual congress will be held in Israel this year from August 28th to September 4th. The subjects for discussion will be 'Unilateral measures for the avoidance of double taxation especially as regards fiscal aspects of the relationship between capital exporting countries and countries in process of development' and 'The taxation of inter-connected companies'.

## Branch Officers

The committee noted with regret at the annual meeting the retirement after eight years of Mr Charles W. Aston as chairman of the Branch. In appreciation of his work and the very great interest that he has taken in the Association, Mr Aston was elected President of the Branch.

Mr A. G. Davies was elected as Chairman and the following were elected to serve on the committee, Mr Douglas A. Clarke, LL.B., F.C.A., Mr C. D. Hellyar, F.C.A., Mr E. J. Offord, F.A.C.C.A., A.C.I.S., Mr D. E. Richards, Professor G. S. A. Wheatcroft and Mr A. Dale. Mr O. Brooks, A.C.I.S., honorary secretary since 1957, retired, and the Committee expressed their appreciation of his very valuable services to the Branch.

Mr Donald I. Main, F.C.A., of Messrs Pannell, Crewdson & Hardy, 9 Basinghall Street, London, EC2, was appointed honorary secretary. Prospective new members (either individuals or companies) are invited to write to Mr Main for particulars of the activities of the Branch.



# LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

## NINETEENTH ANNUAL GENERAL MEETING

The nineteenth annual general meeting of the London and District Society of Chartered Accountants was held in the Oak Hall of the Institute, Moorgate Place, London, last Tuesday evening. The Chairman of the Society, Mr G. R. Appleyard, F.C.A., presided.

The annual report of the committee was reproduced *The Accountant* of April 29th.

### CHAIRMAN'S ADDRESS

In moving the adoption of the annual report and accounts, Mr Appleyard said:

It is customary for us to circulate the accounts for the year ended December 31st, 1960, but with a report for the year ended March 31st, 1961. This having been done, I hope I will have your permission to dispense with the reading of the annual report and the Auditors' report. (*Assent signified.*)



Mr R. G. Appleyard

The accounts, as you will see, are in pretty good shape, the surplus for the year being £438, mostly due to the amount that we have made on our conferences and social functions.

We are very grateful to our competent and hard-working secretary for all the work that he has put into these functions and which has contributed so much to their success. When considering the surplus we do have to remember that it is due to our attendances exceeding our budget estimates, but should we have the misfortune to be hit by a national crisis or a flu epidemic, the results might easily go the other way as we always have to book firm on minimum numbers in order to get the sort of accommodation we require.

### Lack of Support

A fairly comprehensive programme of events was arranged for 1960-61, which included five evening meetings, two luncheons, two residential conferences and a dinner-dance. With the exception of the evening meetings, all the events were very well supported and on occasions a ballot was necessary. The committee are, however, concerned with the lack of support for evening meetings. A great deal of thought goes into the selection of subjects and this year in particular they covered a very wide range and, furthermore, we had a series of first-class speakers and yet, out of 6,000 odd members, there was only one evening meeting when this Hall was three-quarters full. Such numbers are hardly complimentary to the speakers of the calibre which your committee was fortunate enough to obtain.

In the complex business life that members of this profession are called upon to lead one would have thought that these evening lectures would have had good support, particularly from the younger members.

I am wondering whether there is any significance in the fact that only the events for which members are asked to pay are well supported, whilst the free evenings fail to attract, or perhaps it is that chartered accountants suffer from mental indigestion without the aid of food and drink. Seriously, however, we would welcome suggestions from members on this important item in our programme and we are willing to make changes provided the changes are such that they will earn support. Events are moving fast in regard to our profession and a number of new fields are being opened. It would be a sad thing if our members fell behind with their learning because it would be bound to have a detrimental effect on the profession as a whole. I just do not accept the fact that any man is too busy to keep himself up to date. If he takes that attitude he may well be not so busy before very long.

### Sherry Party for Prospective New Members

In the past, twice a year it has been the custom for the President of the Students' Society to have a tea-party to congratulate the successful candidates and to wish them well and it has also been the custom of the Chairman of the London and District Society to be present on that occasion and to say a few words with the object of getting the newly-qualified students to join the London and District Society. It seems to us, and the President of the Students' Society agreed, that the emphasis on this occasion was on the wrong foot. It was in fact a farewell when it should have been a welcome. In March, therefore, by arrangement with the President of the Students' Society, we decided to make a change so the London and District Society arranged a sherry and beer party to which successful candidates were invited so that they might meet all the members of our Committee and learn something of our work, and of the 'after-sales service' provided by the Institute through us. This proved a very successful meeting and it is intended to continue these arrangements.

During the course of the year, I have attended twelve out of thirteen district societies and I have also visited our branch groups at Oxford, Reading and Jersey. I also attended a splendid one-day course run by Beds, Bucks and Herts at Harpenden.

It is proposed to revive the annual dinner in the 1961-62 programme and we have been lucky in obtaining the use of the Carpenters' Hall. This dinner will take place on October 26th, and it is intended that it shall be a domestic dinner and we shall not be asking a lot of outside guests owing to the fact that accommodation will probably be in the region of 200 odd only.

I have been asked by Mr MacIver to mention once again the fact that he hopes that when you have finished with your 'Red Book' you will not throw it in the waste-paper basket. He thinks it would be an advantage – and I agree with him – for these books to be given away to, say, possibly the local library, Citizens' Advice Bureaux



even to your brother professionals, say, solicitors, conveyors, etc., who might welcome a copy as an addition to their library.

### Help for Members in Difficulties

One of the district societies has raised with the Institute the question of local help being given to a practitioner who is unable to cope with his practice, possibly as a result of illness, or for other reasons. If these were done, there would be occasions when disciplinary action might be avoided. This committee has been on the point and in fact we have rendered such assistance to one member during the current year.

If any of you are aware at any time of any member falling into difficulties we should be grateful if you would let us know. You would, of course, have to consult with the person first, but I am sure that in certain circumstances members would welcome this help. In this respect, however, I must make the point that it is entirely inappropriate for matters of professional conduct to be dealt with by the committee and normal proceedings should continue in regard to this. If a member requires advice on such matters or if the public are making a complaint against him, he should, of course, write direct to the Secretary of the Institute. I should like to place on record my appreciation and thanks for the help that I have received from the Vice-Chairman, Mr Ansell, and our Honorary Treasurer, Mr Best.

I should also like to thank all the members of the committee who have shown great tolerance when controversial matters have been under discussion.

Further, I should like to pay a tribute to the work of the subcommittees who have had quite a busy year and also to the chairmen who conducted those meetings so ably.

The recruitment subcommittee has also been very active in visiting careers conventions and talking to youth employment officers and careers officers and I am very grateful indeed for the time given up not only by the committee but to that gallant band of helpers who go out and do this work, which in my opinion is some of the most valuable work done by the London and District Society for the profession as a whole.

Mr Cocke, the Secretary of the Society, and all his staff, have had a very busy year. It has been a pleasure to work with them and I know that everything they have done for your benefit has been very much appreciated.

I also want to thank our honorary auditors, Messrs Sydenham, Snowden and Nicholson, who have produced such a very fine set of accounts for the current year and whom I am glad to say have agreed to continue in office.

### Elections to the Committee

The report and accounts having been adopted, the result of the poll for membership of the committee was announced as follows.

#### Members in Practice:

Mr G. F. Ansell, F.C.A., Miss M. Fox, F.C.A., Messrs C. V. Best, F.C.A., and R. H. Langdon-Davies, D.F.C., F.C.A.

#### Members neither in practice, nor employed in the service of a practising accountant:

Messrs L. J. Rowley, F.C.A., and J. V. Wilson, A.C.A.

## LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS' NINETY-FIRST ANNUAL GENERAL MEETING

The ninety-first annual general meeting of the Liverpool Society of Chartered Accountants was held at the Institutional Club, Liverpool, on May 8th, with the President of the Society, Mr J. M. Harvey, M.B.E., F.C.A., in the chair.

### THE PRESIDENT'S ADDRESS

Before proceeding with the formal business of the annual meeting, the President referred to the



Mr J. M. Harvey

deaths of Mr G. F. Saunders, F.C.A., and Mr A. D. Walker, J.P., F.C.A., who had both contributed greatly to the Society and the Institute by serving on the Council of the Institute as representatives of the Liverpool Society and also as committee members and past-presidents of the Society. He added that to lose them both in the span of one year was a very great tragedy.

### Public Relations

Continuing, Mr Harvey said:

'In any year, developments in the financial world bring about far-reaching developments in the attitude and outlook of our profession and the year now concluded has proved to be no exception. If I might be allowed to express a personal view there are three matters which to me are of extreme interest.

'During the past year, the Council of the Institute raised to the dignity of a standing Committee the Public Relations Committee and I would suggest that this is a move very much in the right direction. For many years, accountants have been reluctant to expound on their professional capability to their clients or to the public generally and, in the latter case, they are in fact prohibited as individuals from doing so. I look forward to the day when, through our Public Relations Committee, we can be confident that we are working in fair competition with those who, having no Institute to regulate their procedure, can and do advertise most blatantly.'

### Companies Act

'The second matter upon which I would comment is to remind you that some thirteen years have passed since the introduction of the Companies Act of 1948. At that time, the Act was hailed as a great advance and indeed it was so, but thirteen years have been quite enough for us all to realize its defects. That the Company Law Committee has been set up and, during the past year, has commenced its



inquiries is something which we must surely appreciate and the ultimate findings of that committee must be of extreme importance to our profession.

The third matter is one concerning taxation. The Chancellor's proposals would suggest the possibility that in the not too distant future there could be a complete overhaul of our present system of direct taxation. Surtax and income tax have come closer together with regard to the reliefs and allowances and it is not impossible that this might ultimately lead to unification in the method of assessment to surtax, income tax and profits tax. Any step towards simplification of this complex subject must surely be welcome to all.

Finally I would remark on the necessity for us always to look into the future with regard to ourselves. The activities of one of the committees of the Institute, namely, the Parker Committee on Education and Training of Articled Clerks, should prove to the world that we intend to ensure that the Institute will move always forward towards the essential target of our enhanced ability and standing as a professional body. The findings of the Parker Committee and, coming nearer home, the activities of our own sub-committees dealing with the recruitment and training of students, are helping and will continue to help in this essential matter.

### Tribute to the President

A vote of thanks to Mr Harvey for his services as President during the past year, proposed by Mr J. F. Allan, F.C.A., a Past-President of the Society, was received with acclamation. The President suitably replied.

### REPORT FOR 1960

The report of the committee for 1960, presented at the meeting, records that total membership of the Society at December 31st decreased from 1,002 to 989.

A number of lecture meetings were held during the year and in addition two series of lectures were arranged by the Education Joint Committee during the periods immediately preceding the May and November examinations. There was also a series of three introductory lectures in January for newly-articled clerks.

Two residential courses were held, one in conjunction with the Joint Tuition Committee of the Manchester Society of Chartered Accountants, at Burton Manor, in March. A further course was held in

September at University Hall of Residence, Holly Road, Liverpool, in conjunction with the Liverpool College of Commerce.

### ELECTION OF OFFICERS

At a committee meeting of the Society on May 10th, Mr Philip Cuthbert Lloyd, F.C.A., was elected President for the ensuing year, and Mr Stanley Morris, F.C.A., Vice-President.

Mr Lloyd, who is forty-six, is a partner in the firm of J. B. Hughes & Lloyd, Chartered Accountants, of Liverpool, where he has followed both his father, Mr Philip Alexander Lloyd, F.C.A., and his grandfather, the late Mr Philip Lloyd. Educated at Liverpool College, Mr Lloyd was admitted as an Associate of The Institute of Chartered Accountants in England and Wales in 1938 and was elected to fellowship in 1946. He served in the Royal Army Service Corps during the last war and graduated at the Staff College, Camberley in 1942, thereafter serving as a D.A.Q.M.G. in 21 Army Group and later as G.S.O. II at the Staff College, Quetta, India, retiring with the rank of Major.



Mr P. C. Lloyd

Mr Lloyd is a director of several companies and is managing secretary of two Liverpool building societies, secretary of the Liverpool and District Master Printers' Association and, until recently, was secretary of the Merseyside Productivity Association. In 1952 he visited the United States as a member of the Lithographic Printing Productivity Team sent by the British Federation of Master Printers.

Mr John Howard Bradley, F.C.A., was re-elected honorary secretary of the Society and Mr Clifford Pearson, F.C.A., was elected honorary treasurer.

## Notes and Notices

### THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

#### Members' Library

*The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:*

- Accounting Trends and Techniques in Published Corporate Annual Reports. (American Institute of Certified Public Accountants.) Fourteenth edition. New York. 1960. (A.I. of C.P.A., 150s.)
- Automatic Data-processing Systems: principles and procedures; by R. H. Gregory and R. L. Van Horn. 1960. (Chatto & Windus, 55s.)
- Business Finance; by F. W. Paish: second edition. 1961. (Pitman, 15s.)
- The Business of Management: art or craft?; by R. Falk. 1961. (Penguin Books, 3s 6d.)
- Canadian Master Tax Guide. (Commerce Clearing House.) Sixteenth edition. 1961. Toronto. 1961. (C.C.H., 36s.)

- The Control of Hire-purchase; by F. R. Oliver. 1961. (George Allen & Unwin, 25s.)
- Enforcement of Planning Control; by H. J. J. Brown. 1961. (Sweet & Maxwell, 17s 6d.)
- Guide to Company Balance Sheets and Profit and Loss Accounts; by F. H. Jones: fifth edition. Cambridge. 1961. (Heffer, 55s.)
- Hanson's Death Duties; by A. Hanson: tenth edition by H. E. Smith, 1956. Fifth supplement 1961. (Sweet & Maxwell, 25s.)
- Hire Purchase in a Free Society; by R. Harris, Margot Naylor and A. Sheldon: third edition. 1961. (Hutchinson, 30s.)
- Houseman's Law of Life Assurance; by D. Houseman: fifth edition by N. S. Wenborn. 1961. (Butterworths, 27s 6d.)
- Incentive Payment Systems: a review of research and opinion; by R. Marriott: second edition. 1961. (Staples, 25s.)
- Kreuger: genius and swindler; by R. Shaplen. 1961. (Deutsch, 21s.)



lands Tribunal Practice and Procedure and Guide to Costs; by R. F. C. Roach. 1961. (Sweet & Maxwell, 25s.)  
The Law of Succession . . . including executors and administrators . . .; by Sir D. H. Parry: fourth edition. 1961. (Sweet & Maxwell, 45s.)  
Stone & Cox Ordinary Branch Life Assurance Tables . . . (Stone & Cox.) [Loose-leaf]. From 1961. (Stone & Cox.)

### PROFESSIONAL NOTICES

MESSRS DELOITTE, PLENDER, HASKINS & SELLS announce that they have opened an office in Zürich, Switzerland. The resident partner is Mr K. F. Scarff, C.A., who has been with the firm in London for many years.

MESSRS H. P. GOULD & SON, Chartered Accountants, and Messrs GOULD & CO, Chartered Accountants, who have been in association for some years, announce that from May 5th, 1961, they have amalgamated their firms and will practise under the style of H. P. GOULD & SON, Chartered Accountants, of 8 Upper King Street, Norwich. As from the same date Mr MARTIN LEWIS PAGE, A.C.A., has been admitted into the new partnership.

MESSRS GRAHAMS, RINTOUL, HAY, BELL & CO, Chartered Accountants, of Glasgow and London and Messrs DUNLOP & MURRAY, Chartered Accountants, of Glasgow, announce that they have agreed to amalgamate their practices with effect from June 1st, 1961, under the firm name of GRAHAMS, RINTOUL & CO. In amalgamation, the partners of both firms, with the exception of Mr W. W. BROCK, C.A., who is retiring, will become partners in GRAHAMS, RINTOUL & CO. The partners will be Messrs R. T. HADDOW, M.C., C.A., RINTOUL, B.A.(CANTAB.), C.A., J. G. CARSE, C.A., I. WRIGHT, C.A., A. THOMSON, C.A., W. D. YOUNG, C.A., MCCREATH, C.A., J. F. HAY, M.A.(CANTAB.), C.A., HADDOW, B.COM., C.A., J. K. TEMPLETON, C.A., W. SHANKLAND, M.C., C.A., R. M. ASHFORD, C.A., R. WALLS, C.A., W. S. HENDERSON, C.A., and W. C. CLAN, C.A. The practice will be carried on in Glasgow enlarged premises at 105 St Vincent Street, C2, and London at 116 Old Broad Street, EC2.

### Appointments

Mr Julian Pode, F.C.A., at present managing director of Steel Company of Wales Ltd, has been appointed to the additional office of deputy chairman and is to become chairman when Mr Harald Peake is released from the office following the annual meeting, to be held on February 5th, 1962.

Mr David J. Young, C.A., F.C.W.A., at present financial director and secretary of Steel Company of Wales Ltd, is to become assistant managing director from February 6th, 1962.

Mr R. P. Tovey, F.C.A., at present chief accountant of Steel Company of Wales Ltd, is to be secretary and chief accountant as from February 6th, 1962.

Mr G. A. Skinner, F.C.A., has been appointed managing director of Norton Motors Ltd and its associate company R. T. Shelley Ltd.

Mr F. A. Parker, F.C.A., has been appointed joint managing director of Vitafoam Ltd.

Mr L. G. T. Farmer, F.C.A., has been elected a vice-president of the Society of Motor Manufacturers and Traders for 1961-62.

Mr T. H. Macer, M.C., F.C.A., has been appointed an additional director of Malaysia Rubber Co Ltd.

Mr W. A. Hawkins, F.C.A., has been elected president of the Newspaper Society for 1961-62.

Mr M. H. Brown, F.C.A., has been appointed a director of Singleton, Benda & Co Ltd.

Mr F. P. S. Stammers, F.C.A., managing director of Radiation Ltd, has been appointed chairman of the company.

Mr G. M. Cartwright, F.C.A., has been appointed a director of Albert E. Reed & Co Ltd.

Mr Frank E. Gibb, F.C.A., has been appointed chief accountant of A. G. Wild & Co Ltd.

Mr H. K. Douglas, M.A., F.C.A., secretary of the Charterhouse Group Ltd, has been appointed a director of Charterhouse Industrial Holdings Ltd.

Mr W. E. Keymer, C.A., has been appointed secretary of House of Fraser Ltd.

Mr W. J. Kilpatrick, M.A., C.A., has been appointed secretary of Gillett Brothers Discount Co Ltd from May 1st, 1961.

### DENTAL RATES STUDY GROUP

#### Sir William Carrington, F.C.A., appointed Chairman

The Minister of Health has appointed Sir William Carrington, F.C.A., to be the first chairman of the Dental Rates Study Group. The Study Group, which is now being set up on the recommendation of the Royal Commission on the Remuneration of Doctors and Dentists, will consist of representatives of the Ministry of Health and the Department of Health for Scotland, and of the dental profession. Its functions will be to fix timings for each dental operation and then determine the gross fees for each of these operations so that the target net income for the average dentist may be achieved in the standard number of hours of work. Subsequently, the Group will keep these fees under review and adjust them from time to time in the light of changing circumstances.

### BRITISH DENTAL ASSOCIATION

#### Members' Subscriptions: Jersey Tax Relief

The Comptroller of Income Tax, Jersey, has approved the British Dental Association in respect of relief for part of members' subscriptions. He has determined that nine-tenths of the annual subscription paid by a member who qualifies for relief under Rule 2 of Case II of Schedule D of the Income Tax (Jersey) Law, 1937, as amended, can be allowed as a deduction from his emoluments assessable to Jersey income tax.

### DOCKS INQUIRY

#### Chartered Accountant Appointed Member of Committee

Mr I. W. Macdonald, M.A., C.A., chairman of the National Commercial Bank of Scotland, has been appointed by the Minister of Transport as a member of the Docks and Harbours Committee of Inquiry which has been set up to consider to what extent the major docks and harbours of Great Britain are adequate to meet present and future national needs.



**MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS**

Mr William Hare, M.A., F.C.A., a partner in the firm of Waterworth, Rudd & Hare, Chartered Accountants, of Blackburn, has been elected President of the



Mr W. Hare

Manchester Society of Chartered Accountants for the year 1961-62. Mr Hare, who was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1937 and was elected to fellowship in 1945, was articled to the late Mr Guy Waterworth, F.C.A., who was President of the Manchester Society in 1954-55. Admitted a partner in his present firm in 1939, Mr Hare was elected to the committee of the Manchester

Society in 1951. He served as secretary of the North Lancashire Branch of the Society from 1951-52 and as chairman from 1957-58. Mr Hare is a governor of Queen Elizabeth's Grammar School, Blackburn, a member of the Board of Management of the Blackburn Y.M.C.A., and is a past president of the Blackburn Hockey Club.

Other officers for the ensuing year are as follows:

*Vice-President:* Mr G. W. Murphy, B.A.(COM.), F.C.A.

*Hon. Treasurer:* Mr A. E. Armitage, M.A., F.C.A.

*Hon. Secretary:* Mr T. W. E. Booth, F.C.A., Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2.

**Report for 1960**

The Society's eightieth annual report for 1960, which was presented at the meeting, shows that membership at the year-end numbered 1,598, an increase of fifteen.

Three evening lecture meetings and nine luncheon meetings were held during the year and the discussion group, which now has a membership of twenty-nine, held eight meetings. Social functions included an informal sherry party for recently-qualified members, and the annual dinner which was attended by 400 members and guests.

During the year an *ad hoc* committee was set up in conjunction with representatives from the Leeds, Bradford, Liverpool and Sheffield district societies, with exploratory terms of reference. The first meeting of this committee was held in Manchester on September 30th, when it was decided to carry out an inquiry into profits, expenses, charging rates and salaries amongst the fourteen members of the *ad hoc* committee. Subsequently, the matter was referred back to the committees of the four district societies, with a view to enlarging the inquiry, and a more comprehensive survey is at present being undertaken.

The Bolton Branch and the North Lancashire Branch, together with the latter's sub-branches, both show an increase in membership.

**LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS****Beds, Bucks and Herts Branch**

The second annual general meeting of the Beds, Bucks and Herts Branch of the London and District Society of Chartered Accountants was held at *The Halfway House Hotel*, Dunstable, on May 8th. The following officers and members of the committee were appointed for the forthcoming year:

*Chairman:* Mr J. L. Dickinson, F.C.A.

*Vice-Chairman:* Mr P. J. L. Case, F.C.A.

*Hon. Treasurer:* Mr A. J. Philpott, B.A., A.C.A.

*Hon. Secretary:* Mr E. J. Frary, F.C.A., 26 Victoria Street, Luton, Beds.

*Hon. Auditor:* Mr E. G. Squires, F.C.A.

*Committee:* Messrs J. R. Ellis, T. R. Keens, T. B. Loxley, R. J. Parker, T. A. Parry, J. B. Pinnock, J. Scott, R. F. Waterfall, R. E. Wright.

A meeting with H.M. District Inspectors of Taxes from Bedford, Dunstable, Luton and Watford followed the annual meeting and was supported by some sixty members.

**BIRMINGHAM AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS****Coventry Area Branch**

At the annual general meeting of the Coventry Area Branch of the Birmingham and District Society of Chartered Accountants held recently, the following officers were elected for 1961-62:

*Chairman:* Mr B. K. Mead, F.C.A.

*Vice-Chairman:* Mr G. F. B. Peirson, F.C.A.

*Hon. Secretary:* Mr K. Sankey, F.C.A., 13 Eaton Road, Coventry.

*Hon. Treasurer:* Mr H. D. Harris, F.C.A.

*Hon. Librarian:* Mr R. G. Binks, A.C.A.

*Hon. Auditor:* Miss D. A. Thompson, F.C.A.

*Committee:* Messrs T. D. Kelly, F.C.A., M. J. Kirby, F.C.A., D. H. Smale, A.C.A., J. L. M. Graham, A.C.A., E. J. Pugh, F.C.A., and J. J. Henderson, F.C.A.

**IN PARLIAMENT****Companies Act, 1948: Auditors**

Mr CHANNON asked the President of the Board of Trade how many people, during the last five years, he has authorized as auditors of companies under that part of Section 161 (1) (b) of the Companies Act, 1948, which gives him the power of authorization for those people who satisfy him as having obtained adequate knowledge and experience in the course of their employment by a member of a body of accountants recognized for the purposes of Section 161 (1) (a) of the Act.

Mr MAUDLING: Fifty-eight in the five years ended December 31st, 1960.

*Hansard*, May 4th, 1961. Written Answers, col. 129.

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**REVALUATION OF ASSETS**

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**CONFERENCE ON COMMUNICATION**

Communication in industry and commerce will be the subject of a one-day conference of the British Institute of Management to be held at the Connaught Rooms, London, WC2, on May 25th.

Lord Beveridge, K.C.B., will open the conference, and papers will include 'Communication and the responsibility of the chief executive', by Sir Josiah Eccles, C.B.E., deputy chairman of the Electricity Council; 'Communication and the trade union', by Mr Victor Feather, C.B.E., assistant secretary, Trades Union Congress; and a British Institute of Management communication project whereby executives have received training in over one hundred companies will be described by Mr E. Moonman, B.I.M. human relations adviser. The conference will end with a panel discussion lead by Sir Richard Coppock, until recently general secretary of the National Federation of Building Trade Operatives, Mr J. Campbell Fraser, public relations officer, Dunlop Rubber Co Ltd, and Mr Bowman Scott, M.B.E., director, Solartron Electronic Group Ltd.

Sir Hugh Beaver, K.B.E., and Mr Gerald R. Moxon, chairman of the B.I.M. Human Relations Advisory Panel and industrial relations staff officer, United Glass Ltd, will act as chairmen during the day.

Further details regarding the conference are obtainable from the British Institute of Management, 80 Fetter Lane, London, EC4.

**JOINT STUDY GROUP ON NORTHERN IRELAND**

It was announced recently that Sir Herbert Brittain, former Second Secretary to the Treasury, has accepted an invitation to be chairman of the Joint Study Group on Northern Ireland, consisting of senior officials of the United Kingdom and Northern Ireland departments concerned, which will examine the economic situation of Northern Ireland.

The study group's terms of reference are to examine and report on the economic situation of Northern Ireland, the factors causing the persistent problem of high unemployment, and what measures can be taken to bring about a lasting improvement.

**INSTITUTE OF INTERNAL AUDITORS  
Manchester Chapter**

The annual general meeting of the Manchester Chapter of the Institute of Internal Auditors will be held on May 30th, at 7 p.m. in the Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2, followed by the usual monthly meeting when the speaker will be Mr K. Bradley, A.C.I.S., A.A.C.C.A., of the Associated Ethyl Co, Northwich, who will speak on 'Internal auditing in practice - the scope of my job'. Secretary

of the Manchester Chapter is Mr R. S. Rossiter, Divisional Internal Auditor, Shell-Mex and B.P. Ltd, Shell-BP House, 7 Oxford Road, Manchester, 1.

**READING CHARTERED ACCOUNTANT STUDENTS**

At the third annual meeting of the Reading Branch of the Chartered Accountant Students' Society of London the following officers were elected for 1961-62:

*President:* Mr G. Talfourd-Cook, F.C.A.

*Hon. Secretary:* Mr B. S. Bush, 102 London Road, Reading, Berkshire.

*Hon. Lecture Secretary:* Mr C. R. Busby.

*Hon. Treasurer:* Mr W. H. V. Witcher, A.C.A.

*Hon. Auditor:* Mr J. P. Stewart, A.C.A.

*London Representative:* Mr J. M. Iredale.

**ECONOMIC CONDITIONS IN ITALY**

A further booklet in the 1961 series dealing with economic conditions in member and associated countries of the Organization for European Economic Co-operation contains a comprehensive analysis of economic conditions in Italy. The booklet is available from H.M. Stationery Office, price 3s.

**TUITION FEES**

On another page in this issue, H. Foulks Lynch & Co announce that rising costs compel them to increase the fees for their correspondence courses as from July 1st. There is no doubt, however, that despite the decline in the value of money since pre-war days and the virtually continuous upward trend in costs and prices, the fact that their fees have remained unchanged since 1956 and will still be less than twice those of 1938, speak well of the efficiency of the organization.

**NEW NAME FOR BURROUGHS**

Burroughs Adding Machines Ltd, well known in Great Britain since 1895 as one of the principal manufacturers in the office machine industry has changed its name to Burroughs Machines Ltd. It is stated that the change has been made to make the name more representative of the company's widely diversified range of data-processing products and services.

**CORRECTION**

In our report of the annual meeting of 'The Institute of Chartered Accountants in England and Wales, on page 607 of last week's issue, the questions on taking a poll of all members on the elections to the Council are attributed to Mr Barlow. We are advised that this matter was, in fact, raised by Mr W. H. Eldridge, A.C.A.

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## GOLF

## The Wood Cup

The annual match between the Association of Scottish Chartered Accountants in London Golf Club and the Chartered Accountants' Golfing Society for the Wood Cup was played at Burhill Golf Club on April 27th. The contest consists of Stableford foursomes competitions under handicap for morning and afternoon rounds and over thirty-six holes. The six best scores of both the Scottish and English Societies decide who shall hold the cup for the year. On this occasion the Society regained possession of the Cup by 388 to 334 the details being:

*C. A. G. Society points*

J. B. Charles and P. H. Blandy .. .. .	68
H. C. Staines and H. Lemmon .. .. .	68
A. W. Coleman and W. B. Henderson .. .. .	66
R. F. Daly and R. Beck .. .. .	63
N. W. Collett and A. Curtis Jones .. .. .	62
T. C. Miller and A. J. Barsham .. .. .	61
	<hr/>
	388
	<hr/>

*Scottish Association points*

R. M. Hogg and C. A. Murray .. .. .	73
A. D. Knox and P. M. Low .. .. .	62
Ian H. Borland and K. R. H. Murray .. .. .	58
T. Ford Millar and N. S. Matheson .. .. .	53
J. A. M. Kinnear and Ian Paterson .. .. .	44
P. F. Morrison and J. H. Williamson .. .. .	44
	<hr/>
	334
	<hr/>

Prize-winners (no pair could take more than one prize) were:

*Thirty-six holes*

First: R. M. Hogg and C. A. Murray .. .. .	73
Second: A. W. Coleman and W. B. Henderson .. .. .	66

*Morning round*

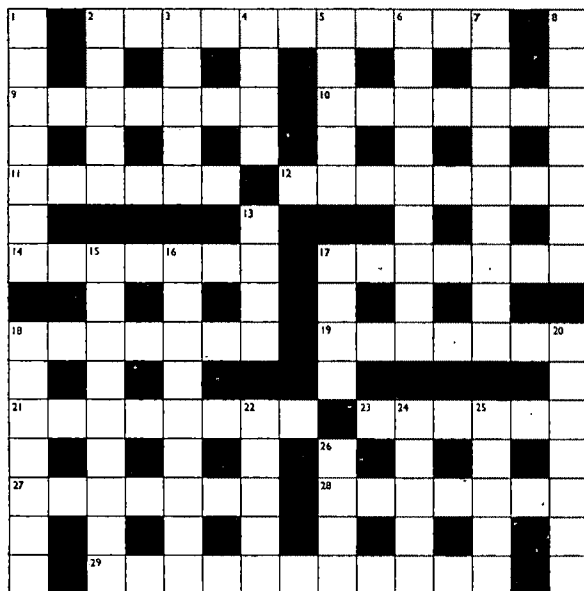
First: H. C. Staines and H. Lemmon .. .. .	35
Second: J. V. Wilson and W. K. Wells .. .. .	32

*Afternoon round*

First: J. B. Charles and P. H. Blandy .. .. .	35
Second: N. W. Collett and A. Curtis Jones .. .. .	33

## CROSSWORD FOR ACCOUNTANTS

Compiled by Kenneth Trickett, F.C.A.



## CLUES ACROSS

2. The function of a librarian taking a ticket to go round the castle (11).
9. In due course this discharges a bill (7).
10. Sanction to write on the back (7).
11. A kind of 17 across (6).
12. This right or capacity to sue or maintain an action is permanent (8).

14. The state of having made a will is reversed yet with cats inside (7).
17. Document of authentication (7).
18. Stabilize at a lower level (7).
19. A promissory note is inchoate and incomplete until delivery — to the payee or bearer (Section 84, Bills of Exchange Act, 1882) (7).
21. Append notes — on tax cases perhaps (8).
23. Truth or an agent (6).
27. Manifest (7).
28. In excess of fee unpaid at the right time (7).
29. When transactions are completed (8-3).

## CLUES DOWN

1. The lodgment I posted wrongly (7).
2. He has an advantage in market 3 (5).
3. See 2 down (5).
4. There's a rumour that this is an accommodation bill (4).
5. . . . any power to remove a director which may — apart from this section (Section 184, Companies Act, 1948) (5).
6. Deed under seal discovered in set of teeth (9).
7. He has been warned not to pay his creditor (9).
8. He pawns a book with an additional page at the front (7).
13. Lettering device on coin (4).
15. Their mean is 74.5, even in pens (9).
16. The subject of Sections 47 to 52 of the Companies Act, 1948 (9).
17. Poll or ballot, possibly (4).
18. They write out cheques in the cabinet (7).
20. Counterfeit workshop over the railway (7).
22. To talk endlessly produces this result (5).
24. A repair to correct (5).
25. Quarto day-books contain this nowadays (5).
26. A small company in the money (4).

The solution will be published in next week's issue.

# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

## Results of Examinations held in April 1961

### PART IV

Of the 438 candidates who sat Part IV of the Institute's examination on April 4th, 5th and 6th, 1961, the undernoted 244 (55.9 per cent) candidates passed. Their names appear in alphabetical order and are followed by the names of the firms of the master to whom they were indentured or assigned.

#### *The Albert J. Watson Prize*

*(in two parts for the two candidates whose performances are the most meritorious)*

Miller, J. M. (Graham, Smart & Annan), Edinburgh.

Williams, C. J. N. (Graham, Smart & Annan), Edinburgh.

Adam, J. (Norman MacKinnon & Co), Ayr.  
Adamson, M. G. (Graham, Smart & Annan), Edinburgh.  
Adamson, R. A. (Mann, Judd, Gordon & Co), Glasgow.  
Allison, I. S. (McLay, McAlister & McGibbon), Glasgow.  
Allison, R. C. G. (Alexander Sloan & Co), Glasgow.  
Amrite, D. P. (Alexander Sloan & Co), Glasgow.  
Anderson, L. W. (Mackie & Clark), Glasgow.  
Andrews, I. R. (Mackay, Irons & Co), Dundee.  
Armour, H. (S. Easton Simmers & Co), Glasgow.  
Austin, A. (Wm. Rogers Simpson & Son), Glasgow.  
  
Bain, B. W. (Ernest W. Brown), Edinburgh.  
Baird, J. (Russ, Ferguson & MacLennan), Glasgow.  
Beaumont, J. M. (Kidston, Goff & Harvey), Glasgow.  
Beaumont, R. M. (McClelland, Moores & Co), London.  
Begg, J. C. B. (William D. Anderson & Co), Edinburgh.  
Bell, J. G. (Bower & Smith), Aberdeen.  
Bickerton, J. (J. W. Jarvie & Co), Glasgow.  
Birnie, A. J. (Charles Berry), Glasgow.  
Blackie, D. F. (John M. Taylor & Co), Glasgow.  
Boyd, D. T. (Peat, Marwick, Mitchell & Co), Glasgow.  
Brownlie, W. J. R. (William J. Young & Brown), Glasgow.  
Brunton, J. (J. & R. Morison & Co), Perth.  
Buchanan-Riddell, J. C. (Thomson McLintock & Co), London.  
Burgess, N. H. (Smith & Williamson), Glasgow.

Cairnie, S. D. (Miller, McIntyre & Gellatly), Dundee.  
Cairns, A. McL. (Mann, Judd, Gordon & Co), Glasgow.  
Callander, R. D. (Crawford & Paxton), Dumbarton.  
Calpin, J. J. (Cooper Brothers & Co), Glasgow.  
Campbell, A. D. (Thomson McLintock & Co), Glasgow.  
Campbell, J. G. (Nairn, Bowes & Craig), Glasgow.  
Campbell, J. McF. (Henderson & Loggie), Dundee.  
Candlish, B. McK. (Martin Currie & Scott), Edinburgh.  
Carmichael, W. A. (Brodie, Burns & Anderson), Glasgow.  
Carruthers, T. (Wallace & Somerville), Edinburgh.  
Charles, P. I. (Hamilton-Eddy & Walker), London.  
Chow, (Miss) C. Y. C. (Macmeeken & Lawson), Edinburgh.  
Christie, B. (Romanes & Munro), Edinburgh.  
Cole, M. D. (Thomson McLintock & Co), London.  
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## Settling Appeals by Agreement

ONCE a taxpayer has appealed against an income tax or profits tax assessment he cannot of his own motion withdraw that appeal. This was established as long ago as 1935 in the celebrated case of *R. v. Special Commissioners; ex parte Elmhurst* (14 A.T.C. 509, 511). However, it would be highly inconvenient if every appeal had to be formally heard by the appeal Commissioners, for a practice had existed for many years before 1935 under which appeals were settled by agreement between the inspector and the appellant.

The case to which we have referred gave rise to some obscurity as to the precise rights of the parties where an appeal had been made but for one reason or another was never formally determined by the appeal Commissioners. Accordingly in 1949 the law was changed to provide specifically for the settlement of appeals by agreement. The relevant provision is now Section 510 of the Income Tax Act, 1952, in relation to income tax, and Section 51 of the Finance Act, 1949, in the case of profits tax. We shall here confine ourselves to the income tax provisions, the two being practically identical. We shall also confine ourselves to appeals to the General Commissioners, the provisions about the Special Commissioners and the Board of Referees being much the same.

Section 510 (1) provides that where a person gives notice of appeal and, before the appeal is determined by the Commissioners the 'surveyor' and the appellant come to an agreement, whether in writing or otherwise, that the assessment should be treated as upheld without variation, or as varied in a particular manner or as discharged or cancelled, then:

'the like consequences shall ensue for all purposes as would have ensued if, at the time when the agreement was come to, the Commissioners . . . had determined the appeal and had upheld the assessment . . . without variation, had varied it in that manner or had discharged or cancelled it, as the case may be'.

Subsection (2) gives the appellant, but not the inspector, thirty days within which he can resile from the agreement by notice in writing. Where the agreement was not in writing, subsections (1) and (2) have no application until one side notifies the other in writing of the agreement and of its terms, and in that case the date of the notice is to be taken as the date of the agreement, thus giving the appellant a further twenty-one days in which to resile (subsection (3)). If the appellant does not come to an agreement but merely tells the inspector, orally or in writing, that he desires not to proceed, then unless the inspector replies in writing within thirty days that he is unwilling for the appeal to be

withdrawn, Section 510 has effect as though an agreement had been come to at the time the appellant told the inspector of his desire not to proceed.

What are the consequences which ensue from a determination by the Commissioners? Section 50 (2) provides that neither the determination nor the assessment made thereon shall be altered except by order of the Court after appeal by way of case stated. Of course, if there is agreement there cannot apparently be any expression of dissatisfaction and accordingly neither side can set in motion the procedure for appeal to the High Court. A subsidiary consequence is that the Commissioners cannot require further information from the appellant by precept.

What construction is to be put on the words 'come to an agreement'? Since the agreement can be in writing 'or otherwise' it obviously need not be a very formal one; it can be in the category of those agreements where a man who incautiously raises his hand at an auction finds himself the buyer of some expensive jewellery for which he must pay. No doubt it is for that reason that the Legislature in its wisdom has given to the incautious taxpayer no less than thirty days in which to reflect and, if so advised, to withdraw; the inspector is expected to be able to look after himself.

An illustration of the fact that close precision is not required for an 'agreement' that the assessment be varied in a particular manner is to be found in the stated case in *Cenlon Finance Co Ltd v. Ellwood* (39 A.T.C. 201) where the inspector conceded at an appeal hearing that his written agreement to the accountant's computation was in effect an agreement that the assessment be treated as varied accordingly.

In the more recent case of *Cansick (Murphy's Executor) v. Hochstrasser* ([1961] T.R. 23)<sup>1</sup> the taxpayer was not so fortunate. The Inland Revenue denied that an agreement had been come to within Section 510, and the High Court held in their favour. MR MURPHY was an innkeeper until January 1950. He was originally assessed on his innkeeping profit for the years 1945-46 to 1948-49 in the respective sums of £749, £965, £715 and £344. Additional assessments of £50 each were made on him in Novem-

ber 1948 for the first three of those years but these were discharged by the Special Commissioners on appeal. Then, in 1955, four additional assessments were made for the four years in estimated amounts of £500, £500, £300 and £300. MR MURPHY appealed, but died in 1956.

In April 1956 the inspector wrote to MR MURPHY's accountant as follows:

'The final balance sheet does bring out the excess of cash banked of £409 of which I knew nothing until now. I am wondering whether a fair settlement here would be to reduce the estimated assessments so that they would cover in all additional profits of approximately £400 (estimated assessments going back to 1945-46 are at present under appeal).'

After dealing with other matters, the letter concluded with the words:

'In view of the above, I think it would be as well to ask MR MURPHY to complete an assets statement as at the present date.'

In February 1957 the inspector wrote to the accountant as follows:

'Unless some progress can be made in the immediate future, there will be no alternative but to take the additional assessments for the years 1945-46 onwards before the Commissioners for determination. This, you will agree in a case of this kind, is not a desirable way of getting a satisfactory settlement.'

He wrote again in July 1957 as follows:

'The essential outstanding points - and also a suggestion of settlement - are set out in my letter of April 10th, 1956.'

The next day the accountant replied saying he had hoped that the inspector would get certain information from the deceased's solicitors and suggested that the inspector should apply to them for a sight of various documents. He concluded by saying:

'Will you please let me know how you suggest the additional profits of £400 should be spread over the various years of assessment.'

The inspector's reply was:

'As regards the suggested settlement by reference to additional profits of, say, £400, I would suggest that this be allocated at £100 for each of the four years 1945-46 to 1948-49 inclusive.'

A week later the accountant wrote as follows:

'I thank you for your letter of July 16th and agree the additional assessments should be spread over each of the four years 1945-46 to 1948-49 at the rate of £100 per annum.'

<sup>1</sup> *The Accountant*, April 8th, 1961, page 416.

Bearing in mind Section 510, a taxpayer might be pardoned for assuming that that was the end of the matter. However, the inspector took the appeals to a hearing where the assessment for 1945-46 was discharged, but those for the three later years, instead of being reduced to £100 each, were increased to £1,000, £1,000 and £500, respectively.

In the High Court MR JUSTICE BUCKLEY accepted the Crown's preliminary submission that, whether or not an agreement of a strictly contractual nature was necessary, there must at least be an offer and an acceptance of certain defined terms. The letter of April 1956 did not contain such an offer. The letter which gave his lordship the most anxiety was the one of July 16th, 1957, in which the inspector suggested that £400 be allocated at £100 per annum for the four years. His lordship proceeded:

'However, on the whole I think that the right view is that that letter was not written with a view

to altering this position which the inspector had taken up, but merely elucidating the sort of terms upon which he thought that the matter might be satisfactorily negotiated.'

There was support for that view in the use of the word 'say' in the letter. Accordingly there was no agreement within Section 510.

We cannot but view this judgment and the course taken by the Inland Revenue with some misgiving. The object of Section 510 was to give statutory sanction to a useful informal method of settling appeals by a certain amount of give and take. To the man in the street, the letter of July 16th was just as much an offer as the accountant's reply was an acceptance of that offer. It might well be that when he wrote the letter the inspector took the same view. If correspondence of this kind is to be meticulously construed as though it were drafted with the same care and skill as an Act of Parliament, the untutored taxpayer is bound to be the loser.

## True and Fair

### THE INSTITUTE AND THE JENKINS COMMITTEE

JUST as the phrase 'true and fair' dominates the accounts provisions of the Companies Act, so it can be said to have dominated the exchanges between the Company Law Committee and the representatives of The Institute of Chartered Accountants in England and Wales who appeared before the Committee as witnesses on March 17th. As briefly noted in last week's issue, the minutes of this evidence on the eighteenth day of the Committee's public sittings have now been published<sup>1</sup>. The Institute's original memorandum to the Committee, which appears as an appendix to the minutes, was reproduced in our issues of July 2nd, 9th and 16th, 1960. A supplementary memorandum relating principally to pre-acquisition profits was reproduced in our issue of February 18th, last.

It has to be decided what precisely is meant by the phrase 'true and fair' and then to decide how truth and fairness, as defined, may best be achieved, bearing in mind that published accounts

should be readily digestible and not overloaded with detail which might obscure the main objectives. Although the Institute's written evidence covered the whole field of company law, it is significant that the Committee devoted practically the whole of its examination of the Institute's witnesses to the subject of accounts.

MR W. H. LAWSON, a member of the Committee who is of course himself a member of the Council of the Institute, observed that it had been represented to the Committee by previous witnesses that, by reason of what they termed undervaluation of fixed assets, due mainly to inflation, many balance sheets did not show a true and fair view of the state of affairs of the company, taking the words in their ordinarily accepted sense. SIR THOMAS ROBSON, for the Institute, replied that the words 'true and fair' were introduced into company law as a result of the recommendations of the Chon Committee which, as regards this particular matter, based their recommendations largely upon a recommenda-

<sup>1</sup> H.M.S.O. Price 5s net.

tion of the Institute. This recommendation, which SIR THOMAS quoted verbatim, defined the function of a balance sheet, and said that it was mainly a historical document which did not purport to show the realizable value of assets such as goodwill, land, buildings, plant and machinery. Nor did it normally purport to show the realizable value of assets such as stock-in-trade. A balance sheet was not a statement of net worth; this was normally the case even when the assets had been revalued. SIR THOMAS admitted that the public needed educating in the functions of a balance sheet and the meaning of 'true and fair view'.

At the opening of the session MR LAWSON asked MR HENRY BENSON, another Institute witness, to indicate to what extent estimates of value entered into historical cost accounting. The reply was that, broadly speaking, valuations did not enter into the preparation of balance sheets except to the extent of the valuation of current assets. This was subject to the qualification that shares in subsidiary companies were valued, and sometimes fixed assets were written down if they were clearly overvalued. For current assets it was perhaps not so much a matter of valuation as of the correct carry-forward of what had been spent on such assets. Debts, of course, had to be valued. MR BENSON gave six circumstances in which it might be appropriate to revalue fixed assets, the first being the case of the issue of debentures where the assets were written up 'in order to present a particular picture to the debenture holders'. This was sometimes done and might be appropriate. Another case was where a subsidiary was acquired; if the subsidiary's assets were shown at historical cost it might be desired to write them up. In such cases the cost of the subsidiary's shares probably greatly exceeded the book values of its assets.

MR BENSON said that if fixed assets were written-up, then depreciation must be based on the written-up value. When it was put to him that the historical cost could be retained in the books but the new value shown by way of note, the depreciation being still related to historical cost, he said that would be totally wrong. It would be wrong to imply to shareholders and the public that the fixed assets had a certain value if depreciation was written off relative to that value, because that would show an untrue and unfair

figure of the profits. Where there had been a revaluation, disclosing an unrealized surplus, it would be wrong, from an accountant's viewpoint, to treat that surplus as justifying a dividend, whatever the law might be. However, there was no harm in applying the unrealized surplus in paying up a bonus issue of shares.

It was brought out in the course of the hearing that accounts were looked at, broadly speaking, by two different kinds of people. At one end of the scale there was the layman to whom the simplest accounts were difficult to understand and who might be fogged by too much detail; at the other end of the scale was the skilled investment adviser to whom all information was grist for his mill. Although no one said so, it is certainly arguable that the words 'true and fair view' have to a large extent a subjective meaning, depending on the degree of sophistication of the person who studies the accounts.

The point was made that it was becoming increasingly popular for companies to pay full economic rents for their factories, rather than owning them. Investment analysts comparing the performance of different companies would be greatly helped by details of rent paid, if any. MR BENSON announced that the Institute had on its programme a proposal to study this, and a recommendation might be issued in due course. For very big companies with world-wide operations the provision of the information might be difficult. SIR THOMAS ROBSON added that a good deal of discussion was going on in the United States about this topic but he did not think a solution had yet been found which was regarded as wholly satisfactory.

MR LAWSON observed that the Committee had had a tremendous amount of evidence about holdings in companies which were not subsidiaries. On this MR BENSON said his personal view was that where the holding was 25 per cent or more, it might be well to disclose similar information to that now required under paragraph 15 (4) of the Eighth Schedule to the Companies Act, 1948, which relates to non-consolidated subsidiaries. SIR THOMAS added that if the company had a number of interests of this kind, then the proposed requirement would be for the aggregate figures — not for each associated company separately. It was then put to MR BENSON that



many witnesses had said they would like to see information about the assets of these associated companies, as well as their profits. In reply, he stressed the danger of the holding company's balance sheet being confused with subsidiary detail. A shareholder who was really desirous of pursuing the point could always go and look at the file of the associated company concerned. If the names of the associated companies had not been revealed, the shareholder could go to the holding company's annual general meeting and ask for those names.

MR LAWSON commented that many people had recommended that it be compulsory to show the names of subsidiary companies, to which SIR THOMAS replied that this would need a business directory in the case of some large holding companies and many of the names would be dormant companies. MR BENSON said he would oppose the change. Those companies which already showed the names were very selective about it, confining the names to those which they thought would be of public interest. There could be a case where the holding company was using a subsidiary to carry out a secret process which it would be premature to disclose. Some overseas companies had to con-

ceal the fact that they were subsidiaries of British companies.

The question of the statutory definitions of capital reserves and revenue reserves was raised by MR LAWSON, and MR BENSON doubted whether there were any reserves which were not legally distributable, apart from share premium accounts and capital redemption reserve funds. His own purely personal view was that the differentiation between capital reserves and revenue reserves was of little value. SIR THOMAS added that it might be valuable from an accountancy point of view to segregate revenue from capital reserves, even though there might be no legal difference. To this MR LAWSON observed that it might be unnecessary to provide in the Act for any definition, provided that it was clear what could, and what could not, be distributed.

A good deal of the hearing was devoted to the difficult problems associated with goodwill on consolidation and with share premiums, consideration of which is precluded here at the present time. One thing is obvious: the discussion brought to the surface difficulties and complexities undreamt of in the days of the Cohen Committee.

## Discretion of Directors

by EDMOND GABBAY

**C**OMPANY policy making is finalized by the board of directors, since a company can only act through its directors who have to get together in numbers no less than a prescribed quorum (unless the articles provide otherwise) and agree by majority to any matter in motion concerning the company. Modern company articles often provide directors with numerous powers, be it vital or insignificant, and before use is made of such powers they require the sanction of the board, which is the seat of the company's executive power. Generally, the will of a company is expressed through its executive by way of a relevant resolution, unless shareholders have decided to have a say in any convened meeting of the company. A company looks to its directors not only for guidance, but also for trust and it is natural that the law regards them in a position of trusteeship of powers vested in

them by virtue of the memorandum and articles of association.

Certain duties which directors have to perform either towards the company or its members are, of course, done as routine by statutory rule of thumb. In such matters as approval of share transfers, forfeiture or surrender of shares, issue of shares or making calls, directors are usually given a discretion. This is because in each of these instances various circumstances may arise which merit individual consideration. Unlike the discretion of a judge they do not have to follow rules of evidence in addition to company practice and relevant considerations. Generally, the exercise of directors' discretion is regarded as proper and fair if their decision is bona fide and for the benefit of the company as a whole: *Re Smith & Fawcett Ltd* ([1942] 1 All E.R. 542).

### Absolute and Limited Discretion

Directors' discretion may either be absolute or limited. It is usual for the articles of a company to provide for absolute discretion to decline transfer of shares or other transactions. (*Weston's case* ((1868) L.R. 4 Ch. App. 20.)) The current Table A Article 24, furnishes directors with absolute discretion to reject the transfer of a share that is not fully paid to a person to whom they do not approve. In *Lyle & Scott Ltd v. Scott's Trustees* and *Lyle & Scott Ltd v. British Investment Trust Ltd* ([1959] 2 All E.R. 661) – the respondents, Scott's Trustees, were the registered holders of more than 1 per cent of the issued ordinary share capital of the appellant company and certain articles limited the power to dispose of their shares. Although Article 7 gave the directors an absolute discretion to decline to register any transfer of shares, whether or not it was a fully-paid share and without assigning any reason, Article 9 nevertheless limited the discretion to a certain extent. This article required the vendor of shares to inform in writing the secretary of the company of the number of ordinary shares which he desired to transfer and also provided that no transfer of ordinary shares should take place, for an onerous consideration, so long as any other shareholder was willing to buy the same at a price ascertained by agreement between the intending transferor and the directors, and failing agreement at a price fixed by the auditor of the company. In allowing the appeal, the House of Lords said that as the respondents were shareholders desirous of transferring their ordinary shares, they were bound by Article 9 which required them to inform the secretary of the company in writing of the number of ordinary shares they had agreed to sell.

### How Directors' Discretion is Generally Exercised

Whether discretion is absolute or limited, it must, as already indicated, be exercised by way of a formal resolution at a board meeting. In *Re Bell Brothers* ((1891) 65 L.T. 245) Chitty, J., said: 'they must fairly consider the question of the transferee's fitness at a board meeting'. If no resolution was passed and one of the directors was in favour and the other against it, a transferee would be entitled to have his shares registered (*Moodie v. W. J. Shepherd (Bookbinders) Ltd* ([1949] 2 All E.R. 1044)). The mere failure to pass a resolution is not a formal active exercise of the right to decline a transfer as the veto must be used actively (*In re Hackney*

*Pavillion Ltd* ([1924] 1 Ch. 276) approved in *Trustees of William Shepherd, sen. v. Shepherd* ([1950] S.C. (H.L.) 60)).

The ordinary reasons for rejecting a transferee may be either that he is believed to be insolvent, or his financial position cannot be ascertained; and it is important that directors be free to exercise their discretion for the benefit of shareholders, otherwise the company would be involved in a great deal of litigation. It was said that 'it is impossible that they could fairly and properly exercise it (discretion), if they were compelled to give the reason why they rejected a particular individual' (Mellish, L.J., in *Re Gresham Life Assurance Society, ex parte Penney* ((1872) 8 Ch. App. 446)). The authorities agree that directors are not bound, at any rate, in the case of absolute discretion, to disclose their reasons for declining a transferee, provided they have fairly considered the question at a board meeting; should there be evidence that they have used their discretion arbitrarily and capriciously, or unfairly, the Court has jurisdiction to interfere (James, L.J., *ibid.* at p. 449). They must not, however, disallow assignment of shares at all to anybody, for this will amount to a breach of trust towards the shareholders (*Robinson v. Chartered Bank* ((1865) L.R. 1 Eq. 32)).

Apart from formal rules of company procedure necessary for the exercise of directors' discretion, certain considerations that go to make a proper and fair decision have become embodied in authorities. In order to recognize adequately these various considerations it is proposed to deal with them separately.

### Transfer of Shares

The Court will inquire into reasons, where directors who have a limited discretion to refuse registration of a transfer, give reasons for their refusal. A decision will not be upset by the Court merely because it disagrees with their conclusion unless the directors have acted on a wrong principle (*In re Bede Steam Shipping Co Ltd* ([1917] 1 Ch. 123)). In this case, the directors maintained that the transferee was a mere nominee of the transferor and the transferor was made to increase the number of shareholders who would support him in a policy of which the directors disapproved. The Court of Appeal upheld the judgment in the Court below of Chitty, J., on the ground that this reason did not justify refusal to register transfers of a small number of shares.

Where evidence of systematic rejections of

transfers of shares was held inadmissible and evidence of improper exercise of absolute discretion was not available, the discretion was presumed to have been properly exercised (*Berry v. Tottenham Hotspur Football & Athletic Co Ltd* ([1936] 3 All E.R. 554)). Where directors had a limited discretion, an inference of improper motive for refusal to give a reason or an explanation was drawn by the Court which held that the refusal was not the result of a bona fide exercise of discretion (*Re Hafner, Oldhausen v. Powderley* ([1943] I.R. 264)).

Directors cannot select a rival company as a transferee of shares (*Clark v. Workman* ([1920] 1 Ir. R. 107)) for this would involve a fundamental alteration of the previous policy of the company. No mandamus order will be allowed to compel a registration of transfer, if the transferee did not proceed bona fide to enforce his rights as a shareholder (*R. v. Liverpool, Manchester & Newcastle upon Tyne Rail Co* (1852) 21 L.J. (Q.B.) 284)). If a transferee failed to pay a call, the Court will not inquire whether the directors were right in refusing him a transfer of shares (*Ex parte Parker* ((1867) L.R. 2 Ch. 685)).

### Making Calls and Issuing Shares

Directors have a discretion to make calls or abstain from making calls, and this will not be reviewed by the Court in the absence of bad faith (*Odessa Tramways Co v. Mendel* (1878) Ch. D. 235)). A director cannot use his power of making calls for his own interest, for he is a trustee of his power of making calls for the general body of shareholders and must not use it for his own benefit without regard to their interest (*Gilbert's case* ((1870) L.R. Ch. App. 559)); here a call was deferred to enable a director to transfer his shares. This was held to be a fraudulent use of power to make calls, and therefore he could retain the benefits for himself at the expense of shareholders and must account for them to the company so that all the shareholders may participate in them. A subscriber to the memorandum of association of a limited company is not liable to make any payment in respect of shares for which he subscribed, except as and when calls are made upon him in accordance with the provisions of the articles (*Alexander v. Automatic Telephone Co* ([1900] 2 Ch. 56)). Directors cannot make calls on some members and not on others of the same class of shares, unless they have power to do so (*Galloway v. Hallé Concerts Society* ([1915] 2 Ch. 233)). The onus of proof when impeaching a call is on the party doing so (*Odessa*

*Tramways Co v. Mendel* ((1878) Ch.D. 235)).

The power to issue shares in a limited company is given for the purpose of enabling the company to raise capital when required for the purpose of the company. The directors are trustees of this power which has to be exercised bona fide for the general advantage of the company and when a company is in no need of further capital, directors are not entitled to use their power of issuing shares merely for the purpose of keeping control, or the control of themselves and their friends over the affairs of the company, or merely for the purpose of defeating the wishes of the existing majority of shareholders (*Piercy v. S. Mill & Co Ltd* ([1920] 1 Ch. 77)). Furthermore, the issue of shares for the purpose of enabling a minority to control the majority would be a misuse of powers of directors and an injunction would be granted to restrain the holding of a confirmatory meeting at which the votes of the new shareholders were to have been used (*Punt v. Symons & Co Ltd* ([1903] 2 Ch. 506)).

### Forfeiture and Surrender of Shares

Directors take their powers of forfeiture and surrender of shares from the articles of the company. As forfeiture amounts to a reduction of capital, directors can only exercise these powers for non-payment of calls. Forfeiture cannot be ratified by the acquiescence of shareholders and creditors, if it is contrary to a scheme of arrangement, as it requires the sanction of the Court: *Devi v. Peoples Bank of Northern India (in liquidation)* ([1938] 4 All E.R. 337 (P.C.)). On the other hand, surrender is used as a short cut to forfeiture or exchange of fully-paid shares for new shares of equal nominal amount.

In the same way that other powers of directors have to be used, these powers must benefit all the shareholders and it will be a breach of trust if they favour themselves above other shareholders (*Richmond's case* ((1858) K. & J. 305)); in this instance a director procured cancellation of his shares at a time when he knew the company to be failing and cancellation was *ultra vires* the directors; this was a fraud on the shareholders. Directors will not be exercising their discretion fairly and honestly for payment in anticipation of calls which is not made bona fide, as when they appropriated such payments against payment of fees due to them (*Sykes' case* ((1872) L.R. 13 Eq. 255)). It follows, therefore, from *Sykes' case* that directors could not be relieved from liability upon their own shares, if they take advantage for themselves of a power in their trust.

# Every Man An Investor

by HAROLD WINCOTT  
Editor in Chief, *Investors' Chronicle*

THE object of my talk is to examine the various attempts which have been made so far in this country to encourage what has become known as a share-owning democracy and to suggest where these attempts have gone wrong and what should be done to put them right.

I do not think there is any doubt that savings as a whole in this country are self-evidently deficient. They appear to be high and, indeed, in some ways they are high. But if savings were high enough we should not, last year, have had a deficit on overseas payments account of possibly £400-£500 million. This sum is not, of course, purely a deficit on trade. It includes the overseas investment that we do each year.

Nevertheless, the fact is that if we had saved £10 per head of each man, woman and child in the country, we should have been all square last year and not so heavily in the red. Four shillings per head per week for solvency does not seem to me to be a very drastic target and if, in achieving our aim of making every man an investor we can get rid of these tiresome crises we run into periodically, I think it would be very well worth while.

## Advantages of Equity Investment by Small Savers

At this moment, of course, we are not concerned so much with the volume of savings, however, as with the possibilities of channelling more of such savings as are made towards equity investment by small savers.

You may ask why I want this to happen. I think such a movement would have definite advantages. It would undoubtedly contribute towards the economic and political stability in the country. It would help towards social stability and bring an end to this dreadful business of the 'we' and 'they' in industry. It would, undoubtedly, I think, cause a reduction of strikes and disputes. It would educate the people who, today, know very little about the mechanics of the capitalist system; it would educate them in capitalism. It would bring a better understanding of profits and dividends and this better understanding might even spread, in time, to the politicians. Democratic share ownership, I think, would be almost bound to help towards an increase in productivity and production. You would not get this feeling of holding back because if you put forward your greatest

effort you are only helping the parasitic shareholder, and, of course, from the investor's point of view, it would undoubtedly protect his capital; and would avoid the dreadful disillusionment which has accompanied savings in fixed interest securities in the past.

For all these and other reasons which you know as well as I do, it would be an excellent thing if we could achieve this ideal of making every man an investor. Of course, you may argue that there will be apparent disadvantages in the way of those people who must raise their capital in the form of fixed interest securities, not least, of course, the Government; Lord Mackintosh, who does such admirable work with the small savings movement, and institutions such as the building societies.

## The Small Man's Nest Egg

It is, of course, essential that these forms of saving should not only be kept going but should be nurtured and fostered as much as possible. But I would think that this problem is best dealt with by the ending of inflation, which is the greatest discouragement to saving in the form of fixed interest securities and, in any case, savings through these media, I submit, have already had their quota of encouragement. For example, these investments are certain of repayment. If you invest £100 through any of these media, you know that in the case of emergency you will get £100 back; and there are other advantages: the ease with which one can put money into these media; and the fact that, nominally at least, there is no cost for investing or for realizing; and, of course, I do think – and I do not believe there can be any debate about this – that if we are catering, or trying to cater, for the small man it is absolutely essential that he should in any case have a nest egg in the shape of this capital – certain easily realizable investments which, in case of need, he can realize and avoid what might be a temporary depression in his capital investment in quoted equities.

What is my attitude towards the existing methods of encouraging this democratic share ownership? Already, over the last ten or fifteen years, certain fairly definite patterns have emerged; and, studying those patterns, I think one can arrive at certain conclusions.

First, there is a real need to avoid injustice towards the existing holders of the equity. The parable of the labourers in the vineyard here seems to be pretty apposite. The existing holders of equity have often

borne the heat and burden of the day. Very often they have run risks and at times seen their capital diminish. I think we should be careful about giving away an unduly large share of the equity belonging to these existing holders. Also, we have got to be rather careful in any assumption that this movement is a movement to help the workers. It is, of course. But then you have to define a worker. What about the doctor who takes care of the worker in the factory? What about the people in the Post Office and the teacher who teaches the children of the worker in the factory? I see no sense, really, in giving an exclusive and prescriptive privilege to a man simply because he happens to work in a certain factory. The ideal, obviously, should be to make this as widely spread a movement as possible.

### Inducement to Wider Share Ownership Needed

I know there is a considerable aversion to some schemes which have appeared and which create large and immediate and virtually certain windfall profits for new-comers, provided the tax-gatherer can be kept at bay – and demonstrably it has been possible to keep the tax-gatherer at bay in these cases. Quite apart from any injustice to the existing holders of the equity, I do not believe this creation of windfall profits is a way to encourage savings or to present capitalism in the correct light. There are no real educational benefits about the virtues of saving or of democratic capitalism if you hand out these large and easy profits to the beneficiaries. And yet I think, clearly, there is some need in this day and age to provide an inducement, however modest, to small investors; and, of course, this principle is already recognized.

We all know the many tax concessions that are made to savers through the small savings movement; then there is the composite tax rate for building society shareholders and so on; the expenses of the National Savings movement all borne by the State – the expenses of the Premium Bond scheme are very high indeed. Investment by instalment is facilitated and, as I said earlier, repayment is easy, without penalty.

So I think if we could get some corresponding facilities – it may be that we could not go all the way – to encourage the small investor to buy ordinary shareholdings, it would be well worth doing so and, although as I have said, it would be unfair if existing equity holders were penalized or mulcted through such schemes, I think most equity shareholders would realize that some inducement is worth while if, as a result, the advantages of wider share ownership are secured.

Leaving out of consideration these windfall schemes to which I object, what other types of scheme have emerged so far? First of all, there is what I think one can best typify by calling 'the I.C.I. type of scheme' where, in effect, workers are given a partici-

pation in profits which is invested for them in the shares of the company. This seems to me to be a good and useful way of encouraging share ownership.

### Schemes for Worker-shareholders

The shares are bought at the market price so that the employees of the company learn about market fluctuations in share prices. There have been doubts about this scheme. It has been said that it mulcts the existing holders of the equity, but Sir Alexander Fleck is on record to the extent of saying that in thirty years time 15 per cent of the equity will be in the hands of the employees, which does not seem to be an unduly frightening percentage. At the same time, as a contradictory argument, it has been pointed out that workers no sooner get these shares than they sell them. There is some truth in this. I know two or three stockbrokers in the Middlesbrough area who tell me that after the I.C.I. shares are distributed people are at their doors at 8.30 in the morning waiting for the office to open at 9 a.m. and the shares are sold immediately. I do not think this is altogether surprising. Throughout this talk I think you will notice the need for education in capitalism and share ownership will be stressed and we must not be surprised if, to begin with, when people are given a realizable asset, they tend to realize it. In fact, I do not think the withdrawals have been as heavy as, begging my own pardon, the Press has sometimes suggested. And it is a reasonable assumption that those people who went to the stockbrokers' doors at 8.30 in the morning to get rid of their shares have learnt their lesson. I am sure their mates in the various factories on the north-east coast who held on to their shares have not failed to point out that I.C.I. shares have had an extremely good rise and how much better off the fellows who sold them would have been if they had held on to them. So here again we see there is an educational benefit through the I.C.I. scheme.

A second type of scheme which is fairly common, is where a company makes a rights issue of shares to shareholders, and a proportion of that rights issue is set aside for employees – generally with reasonable provision that directors and senior executives do not get an unfair proportion. This, again, I think is a reasonable way of encouraging share ownership. There is, of course, a cushion in so far as the price at which the shares are issued is generally sensibly below the market price, so that, although a man puts up his own money, there has to be a pretty sharp fall before he suffers.

Metal Box, Courtaulds and A.E.I. have all gone in for this type of encouragement. I think the names are significant; I am quite sure no-worker-shareholder in Metal Box has ever regretted any shares he has taken up in that company. Courtaulds' experience has been different. The shares have fluctuated very widely. Worker-shareholders will, at times, have



done very well. At times they must have been very worried about their shares. And, of course, with A.E.I. I would think worker-shareholders there have certainly come to appreciate that if they are told that shares only move one way on the stock exchange they know from their own experience that it is not true, or at least, if it is one way, it is the wrong way!

Thirdly, there are general facilities for the investment of small savings for employees either through the unit trust schemes or through the so-called 'share shops'. I shall have something to say a little later on about the unit trusts. This share shops scheme does not seem to have set the world alight. The only concession it contains, as far as I can discover, was that the cost of the investment really was borne by the company and possibly for that reason, because the carrot was so small and also because there was no spread in the risk offered, it seems to have had only limited success.

### Investment Clubs' Sensational Growth

Fourthly, of course, we have had, in recent years in this country, a really quite sensational growth in investment clubs. I am not altogether sure how serious some of these are. I am not altogether sure that they *need* to be terribly serious. I have been a member of one for a great many years. I think it must have been the first one in the country. It is a dining club and, apart from myself, its members are senior executives of some of our finest businesses and its investment record has been pretty disastrous! The most successful investment we made was to buy an option on United Steels just before the general election, which not only made up for our other losses but made a profit. Anyhow, they are very good dinners and we enjoy ourselves. The great difficulty is that we have a membership of about thirty; we never get more than fifteen at any one dinner and it is never the same fifteen and the fifteen at one dinner say 'What on earth did those fools at the last dinner buy this for?' and promptly sell it. So we have not been very fair to ourselves.

But, seriously, these investment clubs up and down the country, are, I think, doing a first-class job. This periodic saving, you see, of 10s per month per member or whatever the amount is, is what we want to get at and I will come back to that later. People who would never know otherwise, become acquainted with shares and the mechanics of share ownership, and balance sheets and so on. They begin to learn about these and they get interested in them. So I think it is a very good movement and I am delighted to see it growing.

As a generality we may say that if the object of the exercise is to educate small savers in the risks as well as the benefits of capitalism then, clearly, the ideal is that the small saver should feel that he is on risk with his own savings, saved out of his weekly pay

packet, and this, of course, is the objection to the I.C.I. form of scheme, much as I admire it.

My objective is certainly not achieved, as I have said, if the small saver is presented with very large and easy capital profits. There is no education in that. At the same time, I think these modest inducements are worth while and, also, we have got to be pretty careful – and I will come back to this later – to try and avoid the disillusioning effects of pushing the small investor into shares at inappropriate moments. This movement got under way in a fairly substantial fashion in the United States just before the 1929 slump and the consequences were disastrous in many cases; it took thirty years nearly to get over that setback – twenty years anyway – and this, of course, brings us to the benefits of 'spread' in investment. That is quite obviously best obtained by co-operative investment: by a group of investors grouping together to put their small capital together to obtain the benefits of spread. It is as old as the hills. We all do it through insurance policies. Investment trusts started doing it nearly one hundred years ago. Unit trusts have been doing it for thirty years, and quite recently investment clubs have been doing the same thing. An insurance policy, we know, is an excellent thing. I think, cynics as you are, you would insist on it being a with-profits policy these days. But it has the disadvantage that it is a remote form of saving.

### Unit and Investment Trusts

I doubt whether the average man in the street, with his small insurance policy, realizes that he has a shareholding in British industry and the leading British companies. He certainly can play no part in the democracy of the company world. So this is a disadvantage for insurance policies. And this latter objection, of course, is also there with the investment trusts and the unit trusts. But I think it is an insuperable difficulty and if you give the small man 'spread' he has got to give up his vote at meetings and maybe he will feel a little remote from the cruder risks of holding individual shares. But it is worth while taking these disadvantages in the hope that this co-operative media will encourage investors to go on later, as their savings increase, to own their own direct, individual shareholdings.

Of course, there is a tremendous dispute as to the advantages and disadvantages of the investment trust and the unit trust. The investment trust, as you know, can issue debenture and preference shares in front of equities which, in an inflationary age, is a considerable advantage; and I think, probably, although I may get picked up by some unit trust people on this, investment trusts follow a more active, professional investment policy. On the other hand, investment trust shares tend to be a poor market on the stock exchange and to sell, on the whole, below the break-up value of the underlying shares.

Unit trusts have the virtues of the investment trusts' defects and vice versa. There has been only one attempt to gear a unit trust and that was pretty unfortunate. They have, on the whole, restricted investment powers. That is one of their selling attractions, of course. The units are easy to buy and sell and you can graft on to the unit trust movement the great and to my mind supreme merit of so-called thrift plans and periodic savings plans.

Investment trusts can probably play a larger part in providing facilities for the small saver. Some of them have gone out of their way to do so with considerable success but relatively few members of the investment trust movement appear willing to try. I remember very well, up in Charlotte Square, Edinburgh, at a dinner with all the investment trust managers who live there, discussing this very question and, with typically frank Scottish directness, they argued that it was their job to run successful investment trusts rather than to run trusts to cater for the small investor – and there is a great deal to be said for that line of argument.

The unit trust record on the whole, I think, is a good one. As a movement, it had a difficult time before the war but certainly since the war it has done well and, without making any exaggerated claims, I think it is true to say that both the capital value of the units and the income from these units has marched step by step with the rise in the cost of living: in other words, has protected the real value of the capital and income of the investor, which is more than one can say, of course, of so-called gilt-edged stocks.

### Unit Trusts and 'Block Offers'

But I feel rather strongly about some aspects of the unit trust movement. Recent experience suggests that their units are only saleable in volume at the very moment when the purchase of them might be dangerous and, conversely, that the most favourable time for selling units is when investors are not willing. As you know, most members of the unit trust movement have concentrated on the so-called 'block offer' which I object to very strongly. It creates an impression that the movement has something in the way of a bargain, some special offer, a once-for-all – cannot-be-repeated thing to sell, which is the very antithesis to the unit movement which is there all the time to offer shares day after day to any regular periodic savers. I could not help smiling when, at a meeting of a unit trust management company, the chairman complained that people in that trust did not seem to know they could buy units at any time. Considering he was advertising one block after another, I was not surprised.

I got out some figures recently. Broadly speaking, the picture is this: the monthly average involved in block offers in the period from November 1958 to January 1959 was £3.5 million. In the period from

February 1959 to September 1959 the monthly average was £0.9 million. Then, of course, the Conservatives won the general election and *The Financial Times* index jumped like mad and block offers rose from £0.9 million per month to £6 million per month. Since then, from February 1960 onwards, they have fallen again to £0.4 million per month. Quite frankly, I do not believe this is the way to run unit trusts.

I remember a few years ago I went to my dentist and I could not answer back, for obvious reasons. But he said: 'I have just sold my so-and-so units. They are bringing a new trust out and I think I will buy them.' I could not answer back otherwise I would have pointed out that he had already paid one loading charge on the unit trust he had just sold and that the performance of one industrial trust is not very different from another. I feel strongly that it is not the job of the unit trust movement to create the impression that the object of investment is to secure large capital gains.

### Merit of Periodic Savings Plans

Is there anything we can do to improve the unit trust movement which, despite my criticism, I regard as the most promising method of encouraging the small saver to invest regularly in equities? The Board of Trade, I think, is culpable because, in their wisdom, when they fixed the charge managers were allowed to make, they fixed it at 13½ per cent. This 13½ per cent can be split between the initial loading charge and the semi-annual charge while the trust is running, and if you like to have a big loading charge then you have to cut down the semi-annual charge and vice versa. Frankly, I do not believe that this 13½ per cent is high enough. I think unit trusts suffer the inherent difficulty of anybody who tries to retail small parcels of anything and I would think that an increase in this charge would be justified if we want to get this movement really cracking.

But the ideal for the unit trust movement, I am sure, are these periodic savings plans – thrift and savings plans, as they are called. They give the small investor the great benefit of average. When prices are high, if he is saving 10s or £1 a week, he buys fewer shares. When prices are low, he buys more shares, and taken over a period – provided he keeps up his savings – it is of great benefit. It may interest you to know that if a young man of 25 agreed to undertake a contractual obligation to save 10s a week through a unit trust, assuming he got an income of 2½ per cent net per annum, and assuming that he agreed to reinvest these dividends and let them accumulate; assuming that throughout the life of the trust it had an average appreciation of 2 per cent per annum (and this is not extravagant) then, by the time he was 65 he would have accumulated £3,000 capital, which, I think, shows the great merit of this steady, periodic saving.

It is, of course, very expensive to run these schemes,

I know unit trusts complain bitterly that they have to send out dividend cheques for 4d and it costs them 9d to do so. It becomes more economic as volume increases, when they can mechanize. If, side by side with this, the unit trust movement must run a constant plan for educating people, I sometimes wonder whether there would be scope for co-operation between the unit trust movement and the industrial life offices. Industrial life offices, after all, are knocking at doors up and down the country. They have the overheads there already. I have discussed this with some people from the industrial life offices. Their attitude tends to be: 'Well, we get 5s a week for insurance and we are not going to jeopardise that to help the unit trust movement' – which is an understandable attitude though, I think, somewhat defeatist. I think they might persuade people to pay a 1s into their own unit trust, if necessary, side by side with the 5s insurance premium.

### Government Help Needed

Finally, is there anything the Government can do to help this movement? I think there is. I think they should avoid a capital gains tax. It does not seem, on long-term gains, to be very logical to pretend to encourage people to be investors, to aim at democratic share ownership, and then to tax them on their capital gains. At least, I think if the Government does introduce a capital gains tax, they ought to provide some escalator clause in it to make sure that it is not a capital levy taxing increases in share values which represent inflation.

Personally – and this again may be a bit radical – if it is possible, I would like to see income redefined. That is something you know more about than I do. But it seems there are people today securing income which, by ordinary definition, is not really 'income'. If that could be achieved I would be happy to see it. Certainly, I think, too, it would be a great encouragement if stamp duty could be reduced.

The Government, to my mind, has not been as anxious as it could have been to simplify the procedure involved in investment. Investment procedure in this country is incredibly complicated and the small man, seeing the sweet simplicity of the building societies, Premium Bonds and national savings, is inclined to think that he can fill in his football pools but he cannot manage stock exchange investment business.

Probably the most useful tax concession the Government could offer would be to take a leaf out of the Americans' book. There, you know, many companies, if an employee agrees to save a dollar a week, will chip in with 50 cents or 25 cents, or whatever it is. In this country, if the Government were to allow such a contribution from the company as a charge for tax in the company's hands and treat it as an addition to his wages, and if they did not insist on aggregating it with the employees' wage, in

his hands, for taxation purposes, I believe this would bring a tremendous increase in savings. It is, of course, just the type of savings we want: this steady, periodic type of savings. And if the Government said they could not possibly afford it, I would say: this would give you your 10s a week or whatever it is which would keep this country as a whole in the black and economically solvent and it would be cheap at the price.

How to sum up? The only answer to this problem is a wide-pronged attack on many fronts: the National Savings Movement, building societies, company schemes like the I.C.I. scheme and the rights issues; together with co-operative investment media; and, of course – and this is really the ultimate goal we are aiming at – the do-it-yourself investor who buys his own shares either through a stockbroker or bank. All these, I think, must be encouraged to achieve the objective. The machinery is there all right if only we could get a little extra help from the Government and if the City, perhaps, could give it a little extra push; and, finally, if Government spending could be held down as a percentage of the national income and if direct taxation could be lowered, that would be an enormous help.

### Wider Share Ownership Movement on the March

A financial journalist, if I may say so, is not in a bad position to talk on this subject because we have our rather special knowledge of how these things go. We know how our circulations go: we know they have increased very substantially in the post-war years; people write to us and tell us what is bothering them – what they do not understand; and we are invited to go to meetings of these investment clubs where you meet very ordinary, humble people who are chipping in their 10s a month and participating.

Ten years or so ago, I was terribly depressed on this subject. I did three broadcasts (on the Third Programme, I am afraid!) under the title of 'Capitalism without capital'. It really looked as though the stock exchange would finish where it began – in a coffee house, because, as far as I could see, insurance companies and pension funds were going to hog the whole investment business of this country and then, of course, ultimately – and I do not think I would have quarrelled with this – the Government would have said they were not going to allow the insurance companies and investment trusts to have this degree of power and they would nationalize them and then we would have 'had it'.

But today I feel very much more optimistic. We know there is tremendous interest in the subject. The movement towards wider share ownership really is on the march and the day when every man, or if not every man, most men will be investors, is nearer than we think.

# Weekly Notes

## Manufacturers on Payroll Tax

A MEMORANDUM was published last week by the National Union of Manufacturers after its submission to the Chancellor of the Exchequer. The covering letter states that manufacturers are greatly disturbed at the increased taxation levied on industry. They fear that the economic regulators which were announced in this year's Budget will add further to costs and create uncertainty.

The memorandum itself goes on to say that it may be difficult at short notice to mop-up surplus spending power by a surcharge or a rebate on Revenue duties and purchase tax. Clothing manufacturers, for example, are unable to pass on any increase in purchase tax because they have quoted firm prices for the coming season. The N.U.M. thinks that once prices have been increased throughout industry by the operation of the regulator, it may not be possible readily to reduce them when the surcharge is withdrawn and that this will lead to inflationary pressure in the economy.

The N.U.M. is also opposed to the payroll tax. Its memorandum says that when the tax is lifted it may result in claims for a corresponding wage increase. Furthermore, it would be difficult to pass on to purchasers at short notice and as a temporary tax the amount levied per head is inadequate to force companies to give up marginal surplus of skilled labour. Even if it had induced some employers to install labour-saving devices, this addition to costs would continue when the tax was later withdrawn.

The N.U.M. memorandum follows in general the lines of criticism which have already developed since the Budget, namely, that the regulators will create uncertainty and that their consequences were insufficiently thought-out in detail before they were published.

## Company Pension Scheme

MOST large companies these days have funded schemes for their staffs, but by no means all have yet made similar provision for their operatives. E. S. & A. Robinson Ltd, who have recently improved their pension scheme for male operatives, may therefore be regarded as among the more enlightened.

For those male operatives of this company who have become members, and we understand that 97 per cent - about 3,500 - of those eligible have elected to join, the annual pension at age 65 will be not less than £130 and not more than £500 for those now under 55, with some reduction of the maximum for those now over that age. The pension is, in fact, one-third of the average of the final four years' earnings (maximum ranking £1,500) for forty years' service and proportionately for less service. In addition there

is a pension of £1 per week from an old fund. The cost, amounting to £800,000, for service prior to the commencement of the scheme is being borne entirely by the company but the employees will contribute towards the cost of the future service benefits. On retirement a member may elect to take a reduced pension so that his widow may have a pension after his death if she survives him. On death in service, a payment equal to one year's pensionable remuneration is paid (maximum £1,500). The scheme is a great improvement on the one previously in operation for these employees.

## Directory of Unit Trusts

THE investment trust movement has made further progress since the war and in the last few years unit trusts have begun to share in the upward trend. In this country the unit trust movement is comparatively young. The first British unit trust was formed in 1931 and by 1939 ninety-six such trusts had been formed with estimated net assets of over £80 million. Progress was slow after the war but there have been signs of growth since 1958. At the end of 1959 the value of funds invested amounted to over £199 million and by the end of 1960 they were estimated to be nearly £202 million.

A *Directory of Unit Trusts* has been issued by the Association of Unit Trust Managers, price 2s 6d, giving a short account of the unit trust movement, the functions of a unit trust and its advantages. The directory covers members of the Association of Unit Trust Managers.

After the introduction, there are listed forty-two unit trusts now managed by the Association. The particulars of each trust include the names of directors and managers, description of member's portfolio, name of trustee, amount of service charges, minimum initial purchases, income distribution dates and high and low prices quoted in 1960.

## Economic Developments in the Commonwealth

THE reference division of the Central Office of Information has now published the third edition of *Economic Development in the Commonwealth*.<sup>1</sup> The booklet gives an account under five headings of development in the United Kingdom, in each of the Dominions and in the dependencies. These headings are agriculture, minerals, fuel and power, manufacturing and transport. In the case of the United Kingdom the information is given under only four headings - the one on minerals being omitted.

The booklet as a whole is divided into three sections. The first of these is production, the second is development and the third is external finance.

The general style of the publication is that of the long-established annual surveys on the colonies which have been a regular feature for many years. The text is entirely factual and there is a good deal of valuable information in its 133 pages. A number

<sup>1</sup> H.M.S.O. 7s net.

of useful statistics are provided in the text and the appendices draw together valuable comparative data on agriculture and production, mineral output and mineral resources. As always with this type of publication there is no general theme or argument running through it. It is entirely a work of reference and comparison. Within the limits which it sets itself the compilation is exceedingly useful and enables one, for example, to compare the economic development potential of some of the more newly established Dominions with one another as well as between the older Dominions and the United Kingdom.

### E.C.G.D.'s Trading Year

**B**USINESS insured in the financial year which ended March 30th, 1961, was a record for the Export Credits Guarantee Department. A provisional figure of £742.5 million compares with

£694.5 million in 1959-60. The gain was in 'commercial business' that is to say business approved by the department's advisory council. The provisional balance on 'commercial' account for the year was £8.1 million, nearly 60 per cent higher than the figure for the year before.

The cumulative balance on commercial account thus increased on the year from £20.5 million to £28.6 million. This increase of £8.1 million is a record for the department but it has to be set against a figure for potential liabilities which is also higher than ever before. The department's secretary, Mr Lawrence Menzies, has said that the figure for the cumulative balance is not to be considered as a profit since a substantial part of it represents premium already received on liabilities which may take some years to run off.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 78

**I**N my job as secretary/chief accountant there is one predominant feature: every day brings some unexpected development. The old tag runs: *Ex Africa aliquid semper novum*, and the same applies to the industrial world. The highlight so far was when the chairman summoned me to his office recently.

I thought he seemed peculiarly preoccupied. He had some vague query about the overdraft and the phasing of our capital expenditure for the rest of the year, but he wasn't really listening. True, he asked abruptly about my last bridge competition, so I was just giving a card-by-card description ('I was playing a shaky six diamonds doubled and West after a long huddle laid down the ace of hearts. His face when he saw dummy's void . . .') The chairman's own face showed his thoughts were far away. I decided to wait for him; he coughed, looked at my report again, and toyed with his white moustache.

Then it came out suddenly. 'The editor of our local weekly has approached me . . . he's keen to have my memoirs. . . . I propose to write them for him.' His initial hesitation overcome, it came with a rush. I listened fascinated; I was wondering where I came into the picture.

He had plenty of new and dramatic material to thrill the modern public or so he seemed to think. Years with his Hussar regiment ('By Jove, Major', cried young Fitz, my subaltern, 'Uhlans!') . . . years in India ('Bismillah, Sahib', muttered my shikari

hoarsely, 'the spoor of the Striped One!') . . . the cut-throat warfare of the textile industry ('Good heavens, sir', whispered my horrified factory manager, 'a lightening strike by these Bolshies!'). At one stage I was unsure whether he was lowering his prices or his sights. However, I drifted into dreaming I made the seventh diamond on a queen finesse, only coming back to him as he arrived at last in 1960. ('Goldarn it, buddy', rasped my Yankee colleague, 'a merger'!)

Finally he revealed his real problem; he'd like me to help him polish up the script. He'd been dictating some chapters on a tape-recorder recently; perhaps one of my typists could run it off in her slack time? Mind you, it was strong meat for a girl, perhaps. ('In the third week of the siege, roast rats were a luxury.') He beamed in complacent fashion as he went on; he was enjoying himself. He hadn't actually indexed his material yet, of course, he'd just rattled it off; perhaps I could sort it in my spare time? Just a case of tidying it up here and there, what? Checking names and dates and references, perhaps suggesting an odd quotation from Shakespeare?

I was honoured, of course. (I didn't see that I'd any option). I'd take it home at night to see what time factor was involved . . . (I was waiting for him to mention finance, but nothing so far). Perhaps, I suggested blandly, a little bonus for the typist?

He didn't take the hint. He chewed at his cigar and asked what I thought of *Fifty Years with Gun and Gavel* compared with *Boardroom Brass hat*? Perhaps I could sketch some notes for his chapters on the 1931 financial crisis, wage variations 1939/60, and the incidence of import duties on Japanese textiles? So I said quickly 'Yes, of course, but I'll need a few days in London to do a good job', and he agreed on the spot. His turn to have no option!

So now I'm a 'ghost', but at least I'll get some compensation in kind for it. Just one more subdivision of the duties of an industrious accountant. . . .



# Finance and Commerce

## Harland and Wolff

THIS week's reprint gives the accounts of Harland and Wolff Ltd, the Belfast shipbuilders. The profit on trading, states the directors' report, 'is not commensurate with the high level of activity to which reference has been made in the preceding paragraphs'. What went before was a description of vessels launched and completed, the launchings including the 45,000 passenger liner *Canberra*, the largest passenger ship built by a British shipyard since the war. The total of launchings, 229,173 gross tons, was actually the largest ever recorded by the company.

What comes after is the fact that the launchings and completions have not been matched by a corresponding intake of new contracts, that the shipyard labour force has been 'substantially' reduced, and that in the light of current highly competitive conditions, 'the immediate outlook is not encouraging'.

So 'adequate provision' has been made 'for anticipated losses relating to work carried out during the year on contracts which are still in progress'.

## The Key

Thus it is that 'Profit on trading' is only £371,515 as compared with £1,010,183 in 1959. Here again is the problem of accounting for the financial results of large-scale contracts which, in terms of time, lap right over the accounting period. The profit item carries a reference to Note 1 which has been included in the reprint. One wonders whether it may be possible for some shareholders to gain a wrong impression from the provision for specific contingencies.

Actually the key to the position - although it doesn't open the door all the way - would appear to be in Note 3 against work in progress - £5,110,727 against £4,707,126 - in the balance sheet.

Note 3 says 'work in progress is stated at a cost less provisions where necessary for estimated losses applicable to work carried out to December 31st, 1960, and after deduction of instalments received on account'.

Possibly Sir Frederick E. Rebbeck, the chairman, will have more to say on this subject at the annual meeting in Belfast. Meantime, the amount of the provisions is not disclosed, leaving open the question whether adjustments of this nature ought to be clearly stated.

## Exports

THE warning of the President of The Institute of Chartered Accountants in England and Wales, Mr S. John Pears, F.C.A., at the annual meeting on the danger of over-cutting prices to secure overseas orders will have been noted. It so happened that on the same day there was issued for publication the

report and accounts of The Cape Asbestos Co Ltd, including the annual statement by the chairman, Mr G. F. Newton, confirming all that the President said.

'Competition is so fierce that it is frequently only possible to secure orders by means of a clear sacrifice of profit,' said Mr Newton, who joins with those who advocate assistance at Government level for exporters. 'We are constantly reminded by governments', he says, 'that it is a national duty to export as much of our product as possible, but it is a burden, and I think that this plain fact should be realized.'

'Further, and in company with other chairmen of public companies, I think it would not be inappropriate that the Government should devise some means - and tax concession is an obvious one - of lightening the burden of those who are patriotic enough to put national duty before individual profit.'

What would really be interesting would be some words from company chairmen who advocate tax concessions on export business describing how such a scheme could be worked and to hear the remarks of those whose businesses just failed to qualify. Where would the line be drawn?

## Producing the Register

THE said register shall also be produced at the commencement of the company's annual meeting and remain open and accessible during the continuance of the meeting to any person attending the meeting' - Companies Act, Section 195 (7).

And at the annual meeting of Unilever Ltd, the register was indeed 'produced'. Mr George Cole, the chairman, opening the proceedings, said: 'I will now ask the secretary to produce the register of directors' shareholdings.' Almost with a touch of ceremony, the secretary lifted the volume and turned and handed it to the chairman who placed it at the front of the directors' table.

The fact is worth placing on record for it would seem to be unique. No doubt at other company meetings the register is available, but no one seems to have thought of making its production a deliberate and visible act.

Company meetings sometimes reach the point where shareholders question what share interest the directors have, with a possible implication that the board have little concern for the predicament of those on the other side of the table. No one, at least among the shareholders, seems to be aware that all they have to do is to request inspection of the register.

It may be added that no one at the Unilever meeting availed himself of the right and it is also of note that Unilever made history a few years ago by deciding that directors need not hold qualification shares.

**HARLAND AND WOLFF,  
LIMITED  
AND SUBSIDIARIES**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 31st DECEMBER, 1960.

[illegible]

## 2. TAXATION

The charges for both Income Tax and Profits Tax arise mainly from profits earned by the Subsidiary Companies.

### 3. WORK IN PROGRESS

Work in Progress is stated at cost less provisions where necessary for estimated losses applicable to work carried out to 31st December, 1960, and after deduction of instalments received on account.

## BALANCE CARRIED FORWARD

4982,785	563,865	Harland and Wolff, Limited	567,591
	418,920	Subsidiaries	417,693
			£980,284



## CITY NOTES

WITH the big company dividend season past its peak and the stock-market thereby losing some of its driving force, the market tempo has decidedly slowed down. Of late, much of the company news has emphasized the narrowing of industrial profit margins – pinched between rising costs and the need to maintain competitive prices, particularly in export markets.

A month or two ago the market was strong enough to ignore all but the most vehement of these warnings but, following a substantial price rise, there is now more of a disposition to heed profit comment. Where the warnings have been accompanied by 1960 figures showing little earnings improvement, the downward adjustment in share prices has been marked.

New equity buying is becoming increasingly selective and it is gradually becoming less forceful. Present equity prices, in the majority of instances so far as the leading issues are concerned, discount growth prospects some considerable way ahead.

Some consolidation of this year's gains seems likely, and prices could well ease back to some degree – even though it is difficult, at present, to foresee circumstances calculated to induce any strong degree of selling pressure. Current pressure on sterling and the possibility of some autumn restrictions on consumer spending could bring a less 'bullish' atmosphere.

## RATES AND PRICES

Closing prices, Wednesday, May 24th, 1961

Tax Reserve Certificates: interest rate (26.11.60) 3%

## Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

## Treasury Bills

Mar. 17	£4 9s 8.57d%	April 21	£4 9s 9.01d%
Mar. 24	£4 9s 8.46d%	April 28	£4 8s 1.71d%
Mar. 31	£4 9s 8.41d%	May 5	£4 7s 4.27d%
April 7	£4 8s 8.68d%	May 12	£4 6s 5.04d%
April 14	£4 9s 7.69d%	May 19	£4 8s 3.18d%

## Money Rates

Day to day	3½–4½%	Bank Bills	
7 days	4½–4½%	2 months	4½–4½%
Fine Trade Bills		3 months	4½–4½%
3 months	5½–6%	4 months	4½–4½%
4 months	5½–6%	6 months	4½–4½%
6 months	5½–6½%		

## Foreign Exchanges

New York	2.79 16–18	Frankfurt	11.08 7–09 1
Montreal	2.75 16–18	Milan	1733 16–18
Amsterdam	10.03 16–18	Oslo	20.00 16–18
Brussels	139.54 16–18	Paris	13.68 16–18
Copenhagen	19.34 16–18	Zürich	12.09 16–18

## Gilt-edged (revised List)

Consols 4%	63 7/8	Funding 3% 59–69	81 1/8
Consols 2½%	41 1/8	Savings 3% 60–70	79 1/8
Conv's'n 5½% 1974	93 7/8	Savings 3% 65–75	72 1/8
Conversion 5% 1971	92 1/8	Savings 2½% 64–67	84 1/8
Conversion 3½% 1969	85 1/8	Treasury 5½% 2008–12	90 1/8
Conversion 3½%	55 1/8	Treasury 5% 86–89	86 1/8
Exchequer 5½% 1966	99 3/8	Treasury 3½% 77–80	71 1/8
Funding 5½% 82–84	97	Treasury 3½% 79–81	71 1/8
Funding 4% 60–90	87 1/8	Treasury 2½%	40 1/8
Funding 3½% 99–04	63 7/8	Victory 4%	97 1/8
Funding 3% 66–68	83 1/8	War Loan 3½%	55 1/8

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Advertising and Taxation

SIR, – The Advertising Association has written to the Chancellor of the Exchequer urging that the proposed new tax on television advertisements should be reconsidered since it will put a brake on the distribution services, restrict enterprise, hamper marketing and prove detrimental to further raising of the standard of living in this country.

Mr Burnham seems to argue in 'Correspondence', *The Accountant*, May 13th, that advertising merely allocates a given demand among competing producers. All experience shows that advertising has a powerful influence in increasing demand.

As Sir Winston Churchill once said: 'Advertising nourishes the consuming power of men. It creates wants for a better standard of living.'

If advertising is useful in selling goods and services abroad – as Mr Burnham seems to acknowledge – why does he argue that it is not useful in this country? What better incentive can there be to production than the sale of the goods produced?

Yours faithfully,

CHARLES WIDDUP,

London, WC2. THE ADVERTISING ASSOCIATION.

## The Institute's Annual Meeting

SIR, – At the Institute's eightieth annual meeting I spoke in support of Mr Smelt's criticism of the undemocratic way in which the notice in connection with the elections to the Council had been phrased. Replying to a question from the President I suggested that the Council had a duty to put all the names fairly and properly before the members without the bias which was so apparent in the segregation of Mr R. H. Barlow's name.

There is, however, no indication of this in your re-

port (May 13th issue), which I suggest ought to be a full and factual statement of the proceedings at the meeting for the information of those members who were not able to be present (which of course covers the vast majority of the country practitioners).

I am very well aware of the difficulty of giving a full report of a meeting, but it is important to be fair and impartial.

It is, I think, an entirely new departure on the part of the Institute that the President's address was published in certain sections of the Press, with editorial comment, before the address was given to the members at the annual meeting. It appears also that the President's address is *not* being circulated to the Institute members who were not able to attend the meeting.

Yours faithfully,

Halstead STEPHEN L. T. CRAWFORD, F.C.A.

[We properly reflected the criticism expressed by Mr W. A. C. Smelt and there can therefore be no question that our report is other than 'fair and impartial'. It is a 'report' of the meeting and does not pretend to be a verbatim record of the proceedings. However, we are happy to print Mr Crawford's letter.

The full text of the President's address was reproduced in our issue of May 6th. — Editor.]

### The Parker Report

SIR, — What a disappointment the two and a half years' work of the Parker Committee is. Might I consider some of their major proposals in a necessarily abridged form. These are:

- (1) That Institute members should be investigated by their fellow members to see whether they have 'a full understanding of a principal's obligations, coupled with a belief in their ability to meet them' (Section 14). (In passing, how strange that after two and a half years the Committee cannot agree where to do this.)

By-passing the formal objection of members assessing fellow members and the fact that this investigation takes place only in the initial case and not the, say, thirty-third, when one's enthusiasm for articled clerks might well be on the wane, it should be noted that this approach has been tried for many years by the Church, who extract similarly sincere promises from god-parents with what would seem to be indifferent results.

- (2) That the Institute should raise the educational standards for admission to articles, thereby competing directly for a restricted class of labour with all the other major British industries and professions.

The profession would offer a full working week plus 'a considerable demand on the articled clerk's time and attention outside office hours' (Section 44) all at a rate of remuneration lower than the current market rate. It will, indeed, be a strange wise bird that will accept these conditions rather than a realistic wage coupled with paid tuition during office hours, as offered by industry.

- (3) That the method of teaching should remain the same, subject to three three-week introductory

courses to introduce the new 'phases of study' envisaged by the report. It is well worth considering at this stage whether an articled clerk's performance and its subsequent evaluation at a three-week course will necessarily imply an aptitude for the work of a fully-fledged chartered accountant.

I would suggest that 'theoretical instruction' as defined in this report can be split into two categories. First, the tools of accountancy, namely, the principles of keeping accounts within the framework of current legal and practical requirements, and secondly, for want of a better word, the *finesse* of higher accounting that includes the understanding, manipulation and construction of accounts. I would suggest that my first category of knowledge is far more *efficiently* taught at first-hand in classrooms rather than at long range through correspondence with disinterested and anonymous tutors and unguided trial and error. If it is practicable to arrange courses of three weeks' duration, it should be possible to do so for twelve.

Why is the report so disappointing? Briefly, because it pays no attention to the major grumble of all clerks under articles of my experience. No, it is not pay, but the innate desire of most educated men on reaching manhood to take part in a constructive venture, even if it be futile in the extreme, so long as it can provide a purpose and aim in life. The aim of qualification after five years in the chrysalis of underpaid articles is not quite enough.

Perhaps I overstate my case but might I sketch out an alternative career plan, to illustrate my point, that has been inspired since reading the general conclusions of the Committee. This plan has not been argued over and discussed for thirty months, so must be notoriously incomplete.

I would start from the following basic premises:

- (1) That if ever there was a need for a payroll tax in any profession, accountancy is the one. Cheap(ish) labour has resulted in principals not bothering constantly to assess and re-assess audit programmes and the work performed by their articled clerks.
- (2) That before a working relationship between clerk and principal can be achieved they must be capable of 'talking the same language', i.e. the clerk must have a thorough working knowledge of book-keeping, auditing and other allied principles.
- (3) That the present-day articled clerk is sadly lacking in those extra sciences of management accounting, cost accounting, machine accounting, advanced taxation, etc., that are required of him by a prospective employer.
- (4) That the apprenticeship must be creative, exciting and mutually beneficial.

With these premises in mind, I would suggest: the six-month probationary period should be adopted starting from the age of 18. This need not preclude earlier clerkship with the firm in question. The first three months at a nominal wage would be spent in the office to enable the principal to meet his clerk at first hand and to allow the clerk to



get the 'feel of the work'. The next three months would be spent at a central 'Accounting boarding school' where students will meet each other and be instructed in book-keeping and auditing, culminating in an examination in these subjects of Intermediate-plus standard. The clerk would meet the expense of this course. On passing, he should be guaranteed a minimum salary of, say, £500 per annum to ensure that his services are efficiently used. He should soon be qualified to assume responsibility for part of the routine work of the office if guided by a sympathetic principal. During the next two and a half years he should prepare himself, by reading, recommended to him by both Institute and principal, for a 'Final' examination that would embrace not only the present test of technical ability but also deeper questions on the subjects covered by this reading. Before the Final examination the clerk would have attended an interim three-month course at the 'Accounting College' and a final course of three months culminating in the Final examination. At this stage, graduate articled clerks should be considered qualified, and others should have a minimum salary guaranteed to, say, £650.

For non-graduate members the fun will begin, for there should now be one further examination (with three months' home-study leave) of a more specialized type. The candidate can opt to take examinations in two such subjects as, economics, machine accounting, advanced taxation, cost accounting, management accounting, professional accounting, the legal aspects of accounting, or what you will, depending upon his projected career pattern. Along with this he should prepare a paper or dissertation on an aspect of his chosen subject guided by his principal that will be considered in conjunction with his examination papers. These should be assessed with rather more regard for content, style and approach, than the mere accuracy of the facts incorporated. Prizes should be awarded and outstanding work published. The successful completion of this hurdle should lay the groundwork for a competent, well-educated and complete member of the Institute.

With the hope of stimulating thought along these lines, Sir, I must return from the clouds and grapple once again with the challenge of the forthcoming Intermediate.

Yours faithfully,  
London, SW3. C. A. P. STOTT.

## Taxation Cases

*Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.*

### Abdul Caffoor Trustees v. Ceylon Commissioner of Income Tax

In the Privy Council - April 19th, 1961  
(Before Lord MORTON OF HENRYTON, Lord RADCLIFFE, Lord MORRIS OF BORTH-Y-GEST and the Right Hon. L. M. D. DE SILVA)

*Income tax - Charity - Education - Primarily for members of donor's family - Whether a charitable purpose - Exemption granted in previous year - Whether estoppel - Ceylon Income Tax Ordinance (No. 2 of 1932, as amended), Section 7 (1) (c).*

By a trust deed made in Ceylon in 1942 the income was to be applied during the life of the grantor for such purposes and in such manner as he should direct. After the death of the grantor the income was to be applied for all or any of a number of purposes set out in sub-heads (a) to (g) of paragraph 2 of the trust deed, and was to be applied in the absolute and uncontrolled discretion of a board of trustees and others. Among these purposes was:

- (b) ... the education instruction or training in England or elsewhere abroad of deserving youths of the Islamic Faith in ... any ... departments of learning or human activity whatsoever ....

The recipients of the benefits ... shall be selected by

the board from the following classes of persons and in the following order:

- (i) male descendants along either the male or female line of the grantor or of any of his brothers or sisters, failing whom;
- (ii) ...;
- (iii) youths of the Islamic Faith ... born of Muslim parents of the Ceylon Moorish Community permanently resident in Colombo or elsewhere in Ceylon.

Assessments to income tax were made on the trust income for 1950-51 to 1954-55, and the trustees claimed exemption on the ground that the trust was 'an institution of a public character established solely for charitable purposes' within Section 7 (1) (c) of the Ceylon Income Tax Ordinance (No. 2 of 1932, as amended). The Board of Review rejected the claim. A claim had been made for 1949-50 and this claim had been accepted by the Board of Review.

It was contended on behalf of the appellants that the respondent was estopped by the decision of the Board of Review for 1949-50 from successfully opposing the appellant's claim to exemption from income tax for the years now in question; and alternatively if there was not such an estoppel, the trust was a trust of a public character solely for charitable purposes, and the income thereof was exempt from income tax.

*Held:* (1) the respondent was not estopped by the decision of the Board of Review for 1949-50; (2) as the trust deed gave an absolute priority to members of the grantor's own family, the trust was not of a public character solely for charitable purposes, and the claim to exemption from income tax therefore failed.

**Dunn v. Commissioners of Inland Revenue**

In the Chancery Division – March 16th, 1961  
(Before Mr Justice WILBERFORCE)

*Estate Duty – Aggregation – Advances out of settled capital – Determination of life interest within five years – Whether sums advanced to be aggregated with settled property – Finance Act, 1894, Section 16 (3) – Finance Act, 1940, Section 43 – Finance Act, 1954, Section 33.*

A testator who died in 1940 settled by his will a fund to pay the income to a tenant for life and then to hold the fund in trust for the issue of the tenant for life. Between June and December 1956, the trustees advanced £2,500 to the son of the tenant for life and £126 os 2d to the daughter. The tenant for life died

within five years of the making of these advances, and estate duty became payable, pursuant to Section 43 of the Finance Act, 1940, on the £2,626 os 2d.

The trustees contended that the £2,626 os 2d should not be aggregated with the other settled property passing on the testator's death, and that that sum was a part of the testator's free property. For the Inland Revenue it was contended that the £2,626 os 2d remained settled property, and should be aggregated with the other property settled with the testator's will.

*Held:* the £2,626 os 2d was not settled property for the purposes of Section 16 (3) of the Finance Act, 1894, as substituted by Section 33 (1) of the Finance Act, 1954, and thus was not aggregable with the other property settled by the testator's will.

## Training Today for Tomorrow

### COMMONWEALTH TECHNICAL TRAINING WEEK

THE profession has been quick to seize upon the opportunities afforded by the Commonwealth Technical Training Week, starting next Monday, to project accountancy as in every respect a worthwhile career and to endeavour to interest and attract suitable recruits.

The week has its origin in a State Apprenticeship Week which H.R.H. the Duke of Edinburgh saw in operation during his visit to Australia. Later, at a meeting held at Buckingham Palace of High Commissioners, members of the Government, and representatives of local authorities and national and industrial organizations, presided over by His Royal Highness in his capacity as President of the City and Guilds of London Institute, the idea of a similar scheme taking place throughout the Commonwealth was warmly accepted.

The week is intended to cover all forms of training for employment, including training for commerce and for the professions, and has as its objects:

- to stimulate awareness of the responsibility of the community towards young people entering employment;
- to stress the importance of schemes of induction and training, both for the benefit of individual firms and in the interests of the young people themselves;
- to give increased opportunity to young people to learn of the opportunities available for training and education;
- and generally to emphasize the significant place of the young worker in society.

A Central Advisory Committee, with Sir Harold Gillett, M.C., F.C.A., as one of its distinguished members, has been responsible for general policy, but the organization of the week is in the hands of the local authorities. It is natural, therefore, that for the most part the profession is co-operating through the district societies of the respective bodies.

In anticipation of the week, the Committee of the London and District Society of Chartered Accountants held a dinner at Moorgate Place on May 18th, to which principals and careers masters of public schools were invited. Sir Thomas Robson, M.B.E., M.A., F.C.A., who was in the chair, extended a welcome to the guests and introduced Mr W. E. Parker, C.B.E., F.C.A., who spoke on the profession and on the work of an accountant. Again, last Wednesday, headmasters and headmistresses of grammar schools and youth employment officers in the London area were invited to a cocktail party and were addressed by the Society's chairman, Mr G. R. Appleyard, F.C.A.

These functions have served as an introduction to the 'At home' meetings which are to be held each afternoon next week at Moorgate Place, to which young people and their parents have been invited. They will hear a talk on the profession, after which questions can be asked, and they will be able to meet and chat informally with members of the Institute over tea.

#### Careers Exhibitions

The district societies of chartered accountants will be taking part in careers exhibitions, conventions, special meetings and other events which are being arranged in many parts of the country by the local authorities. At Birmingham, for instance, there is an exhibition at Bingley Hall for the whole week, at which the Birmingham and District Society will have a stand which will be manned by members of the Students' Society and by the staff of the Chartered Accountants' Library, under the supervision of a senior member of the District Society. The Wolverhampton Branch is participating in a similar exhibition which is being organized by the Wolverhampton Education Committee, whilst at Malvern a member of a firm of chartered accountants is co-operating with the Youth Employment Service in that town in a similar project.

Similarly, in Cardiff, there will be a stand at a technical training exhibition, staffed by practising chartered accountants each afternoon and evening throughout the week; and at a three-day careers convention in Swansea there will be a stand where there will be Institute literature and members will be available to answer questions regarding entry to the profession and future prospects from school children, students and their parents.

### Special Service at St Giles Cathedral

In Scotland, one of the foremost events of the week will be a special service in St Giles Cathedral next Wednesday which the Duke of Edinburgh has agreed to attend. The service will be conducted by The Very Rev. Charles L. Warr, K.C.V.O., D.L., D.D., LL.D., Dean of the Chapel Royal in Scotland and Dean of the Order of the Thistle. The Rev. A. C. Craig, M.C., D.D., Moderator of the General Assembly of the Church of Scotland, and the Rev. H. C. Whitley, PH.D., D.D., Minister of St Giles, will also take part. Representatives of each of the Chartered Accountants' Students' Societies (in Edinburgh, Glasgow and Aberdeen) will attend the service.

At a careers exhibition in Waverley Market which opened last Thursday and will continue until next Saturday, the Scottish Institute is one of fourteen professional organizations making up a stand devoted to 'The Professions'; the stand is principally concerned with the display of literature and other appropriate information. An article by Mr E. H. V. McDougall, the Secretary of the Scottish Institute, in connection with the week has appeared in the *Glasgow Herald* and another will be included in the special Careers Supplement of the *Scotsman* which will be published next week. In addition, references to the Institute are included in a booklet called *Target for Youth*, 10,000 copies of which are being distributed to schools and which will be on sale at the exhibition.

The Association of Certified and Corporate Accountants will be playing an important part in the activities of the week. A number of branches and district societies will be maintaining stands at the

exhibitions in the larger cities throughout the country, in addition to those being held in Edinburgh and Belfast. The Association is ensuring that adequate supplies of its various careers booklets such as *Accountancy - a Career of Opportunity* and *Accountancy - a Career of Opportunity for Graduates* as well as copies of its examination regulations and a special four-page Commonwealth Technical Training Week leaflet are available for use by the Youth Employment Service at exhibitions where stands are not being maintained. Members of the Association will also be assisting as careers advisers at careers conventions and meetings which are being held throughout the week, as well as giving support to technical colleges and colleges of commerce which will be holding open days and exhibitions.

The Institute of Municipal Treasurers and Accountants have produced two striking posters for use at exhibitions, one of which in question and answer form sets out the essentials for a career in local government finance:

Have you - a good education, an interest in service to the public, and a flair for figures?

Do you want - status as a professional man, promotion prospects, security, superannuation and generous leave?

Are you willing - to study with the help of day release courses, correspondence courses, financial assistance towards study costs?

Then - make local government finance your career and qualify as a chartered municipal treasurer.

Individual branches and members of The Institute of Cost and Works Accountants will be co-operating in every way possible with arrangements made by local authorities; and leaflets and brochures describing the work of cost accountants have been supplied whenever requested for use at exhibitions. Among branches particularly active will be those at Edinburgh, Belfast and Exeter. A limiting factor as far as headquarters participation is concerned is the National Cost Conference of the Institute which takes place at the same time as the Commonwealth Technical Training Week. The publicity which the conference receives should, however, be of more than usual interest at such a time.

## THE INSTITUTE OF INTERNAL AUDITORS SECOND EUROPEAN CONFERENCE

THE second annual European Conference of The Institute of Internal Auditors took place at *The Cairn Hotel*, Harrogate, from May 10th to May 12th. About seventy members were present.

Opening the conference, the European Regional Director, Mr J. O. Davies, F.C.A., A.C.W.A., chief internal auditor of the National Coal Board, said:

'Our Institute has now nearly 5,000 members meeting together in seventy-one chapters, eighteen of which are outside the United States of America and Canada. Of those eighteen, seven are within the United Kingdom and we are hoping very shortly that an Irish

Chapter will be formed, based on Dublin with a group operating in Cork.

'The membership of the United Kingdom chapters is now 326, as compared with 280 a year ago, which is a net increase of forty-six. We have a United Kingdom representative on three international subcommittees. Mr A. L. Watson of the London Chapter, is a member of the Educational Committee; Mr H. C. Booth of the Manchester Chapter, is a member of the Research Committee; and I am a member of the Editorial Committee.

'The International Research Committee has accepted



the following projects on which they expect to issue research reports: report writing, internal auditing in life insurance companies, internal audit and control of receiving, organization and administration of an internal auditing department.

'Projects which at the moment are in abeyance include: internal auditing in banks and internal audit and the control of budgeting.

'Future projects which are to be studied cover: electronics, statistical sampling, and advertising and sales promotion.

### International Congress

At the Eighth International Congress of Accountants to be held in New York in September 1962, a discussion is to take place on auditing and the world economy. I am pleased to say that this discussion will deal with the responsibility of the internal auditor and the independent accountant and also the relationship of their activities to each other'.

Mr Davies said that at the first of their conferences last year at Blackpool, when talking about the development of the concept of the function of internal audit in the United Kingdom, he referred to two large organizations who had announced in the national Press that they were either forming a management audit department for internal consultancy purposes, or were seeking internal auditors who would report in financial terms on the effective use being made by the companies of their resources and organization. He had noticed a recent advertisement which stated that a well-known

public company was seeking auditors who possessed the necessary qualities to achieve the co-operation of staff at all levels. Another recent advertisement for the post of chief internal auditor stated that the successful applicant must understand the concept of internal auditing as an integral part of management control.

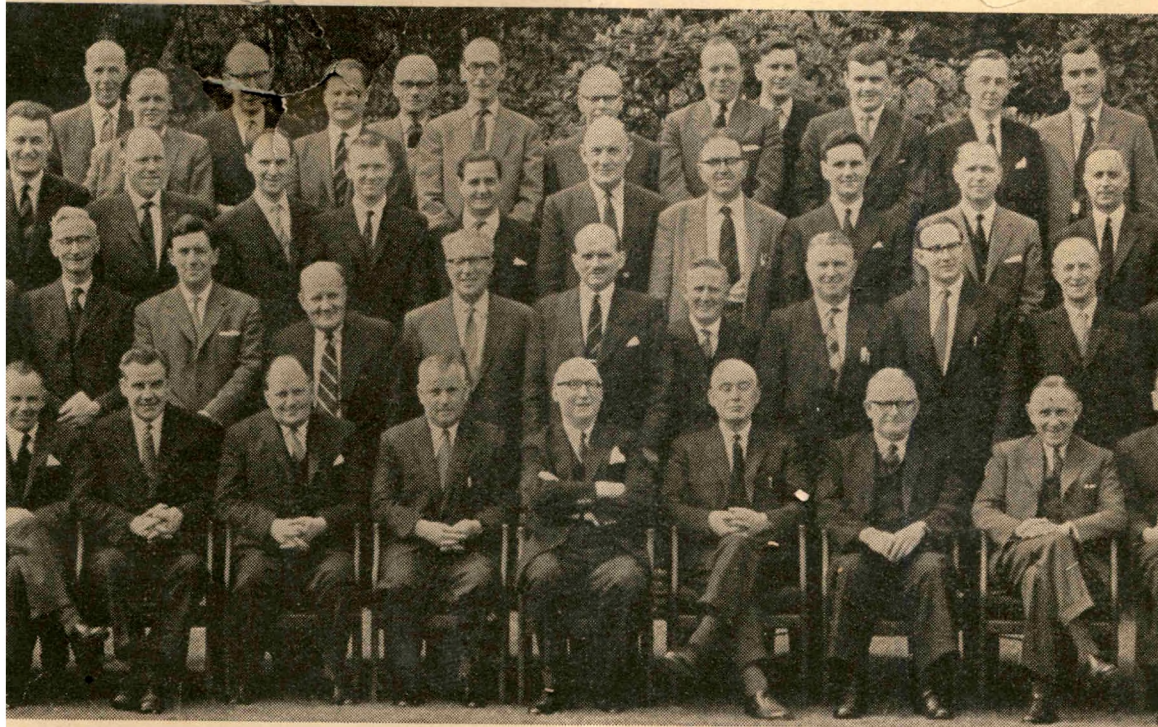
It was in accordance, therefore, with the modern concept of internal auditing, continued Mr Davies, that the theme of the present conference was 'Internal audit in the field of management'.

The Yorkshire Chapter was to be congratulated on organizing the conference in only the second year of its existence as a chapter. The reputation of the speakers who were to address them and the encouraging attendances made certain that the conference would be a success, Mr Davies concluded.

### Conference Papers

The opening address was given by Mr F. W. Allum, F.C.A., A.C.W.A., chief accountant, North Eastern Gas Board, on the subject of 'Sharpening management tools'.

The three main addresses on which discussions took place were 'Finance control', by Mr H. L. Bingham, B.A.(OXON), A.C.W.A., financial director of the Viscose Division of Courtaulds Ltd; 'Internal audit as an aid to management', by Mr W. R. Seddon, M.Sc.(TECH), of Urwick, Orr & Partners Ltd; and 'What management expects from management accounting', by Mr J. Whitehouse, F.A.C.C.A., joint managing director, Montague Burton Ltd.



Some of those who attended the Internal Auditors' Conference at Harrogate. Seated, with arms folded, is Mr J. O. Davies, F.C.A., A.C.W.A., European Regional Director. On his immediate right is Mr A. D. Compston, F.C.A., President, Manchester Chapter, and Mr P. Cluderay, A.A.C.C.A., President, Yorkshire Chapter, and conference organizer. On his left are: Mr W. R. Seddon, a speaker; Mr H. C. Booth, F.C.A., European Regional Vice-President; and Mr R. G. Nicholson, C.A., President, London Chapter.



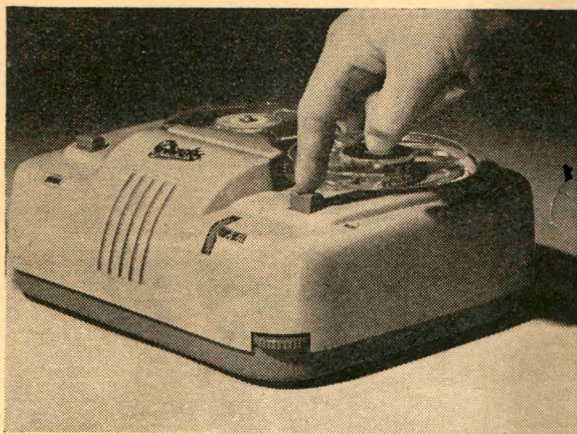
*A monthly feature designed to keep readers - whether in practice or in commerce - abreast of the latest developments in the field of office equipment.*

### Flexible Dictating Machine

**A**FTER dictating a batch of correspondence a business man often finds that he wants to make amendments to some of the early letters. With a shorthand-typist this is not difficult; but there are snags if he is using a dictating machine.

The new *Graetz* dictating machine provides a sensible solution to this and other familiar problems. Extra paragraphs can be inserted - exactly where they are needed - by using a push-button control which instantly switches the recording from the first to the second track of the tape.

The same feature comes in very useful when it is necessary to record conversation in the middle of a period of dictation.



*Graetz Dictating Machine*

The task of transcribing the recordings is simplified by an unusually efficient indexing system. There is a built-in place indicator with an accuracy of one word, and also an index pad large enough to accommodate notes of the length of individual letters and the priority in which they should be dealt with.

These and other features suggest that the designers of the *Graetz* had made an unusually careful study of business dictating needs.

A 'magic eye' indicator, as fitted to domestic tape recorders, enables the user to regulate the volume to suit all conditions. There is a full range of accessories for transcription. A separate transcribing machine is available if required.

Prices: Dictating/transcriber machine £63. Transcriber £47 5s.

Chisbury Distributors Ltd, 8-13 Chiswell Street, London, EC1.

### Simple Office Duplicating Stamp

**I**NCORPORATING its own ink pad, the *Rata* stamp provides a swift and economical method of duplicating labels, leaflets, letters and other documents. The matter is simply written, typed or drawn on a special stencil which is then clipped to the pad.

Changing the stencil takes less than one minute. If dried between blotting paper or newspaper and stored in envelopes, each stencil can be reused many times.

In addition to the duplication of simple sales literature, the *Rata* stamp has applications in systems work. For example, it can be used for printing labels, advice notes, receipts, invoices and statements.

Two sizes of stamp are available: 3 in. by 4.7 in. and 1½ in. by 3½ in. There is a choice of four colours. Prices: small size £2; large size £3 10s. Prices include fifty stencils, ink and pen.

Industrial Services (Office Equipment Section), 128 Tolmers Road, Cuffley, Middlesex.

### Time-saving Keyboard

**M**ANY large organizations use proprietary systems of storing and identifying keys. One manufacturer has now introduced a scaled-down version for use in the smaller business. Easily attached to wall or shelf, it holds up to ten keys - twenty if duplicates are provided.

The system is known as *Colorcap* because a brightly-coloured rubber cap fits over the head of each key, to provide immediate identification. Each cap is also numbered to correspond with its hook.

The positions of the hooks can be adjusted to enable the keyboard to hold keys of different sizes and shapes.

Price on application.

Inter-Continental Office Equipment Ltd, Vivian Road, Harborne, Birmingham, 17.

### New Electric Typewriter

**A**USEFUL feature of the new *Facit* electric typewriter is a 'tabulator memory' which enables a pre-set series of stops to be simultaneously engaged or cleared with a single lever movement. Standard models are delivered with seven pre-set stops to suit normal correspondence, but the number of stops and their layout can be varied to suit individual needs. Moreover, the machine is also equipped with the usual kind of key-set tabulator which is thus available for use on special jobs.

In common with other electric typewriters, the *Facit* has the advantage of producing consistently neat and even work regardless of the force with which the keys are struck. The force with which the type bars strike the platen is, however, adjustable.

Keyboard height and dimensions are the same as in a manual typewriter, making it easy for the typist to change to an electric machine. Only five additional keys are provided as controls.

The quick-running motor is suspended in rubber bushes to reduce noise still further and avoid vibration. It is automatically switched off a few minutes after typing stops.

Price: £145.

Block & Anderson Ltd (Facit Typewriter Division), Banda House, Cambridge Grove, Hammersmith, London, W6.



# quipment

## Low-cost Intercom System

THE range of two-way intercommunication equipment marketed by D. J. P. Telephones Ltd, is of special interest to the small business. The individual units are inexpensive; and the user can start with two points only, adding other points as the demand arises.

A new addition to the range is a five-button instrument. This can be used as a 'master' in a system consisting of up to five single-button instruments, any of which can call the 'master' or be called by it. Alternatively, it can form the basis of a full-communication system in which up to six five-button instruments are linked together.

Either system is easily installed. In the first case, the interconnecting cable costs 6d per yard. In the second, ten-core cable, costing 2s per yard, is used.

Prices: five-button £10; single button £7.

D. J. P. Telephones Ltd, 156 Camden High Street, London, NW1.

## 'Dry Loading' for New Photocopiers

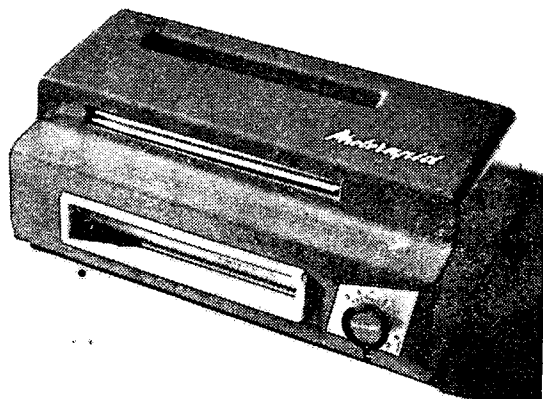
THE new rotary *Masoncopy Photorapid* employs a special 'dry loading' system.

Ready-mixed developer is supplied in a sealed plastic container. This is placed in the machine and a simple connection is made. The liquid is immediately delivered to the developing tray and automatically returned to the developer by a lever-activated compression plate. When the developer is exhausted, the container is exchanged - without any mess - in a few moments.

No longer is it necessary to mix up a batch of chemicals before the machine can be used. Moreover, the life of the developer is tripled under normal working conditions, since there is considerably less exposure to light and air.

Price: 11-in. rotary, £80; 14-in. rotary, £95.

E. N. Mason & Sons Ltd, Arclight Works, Colchester, Essex.

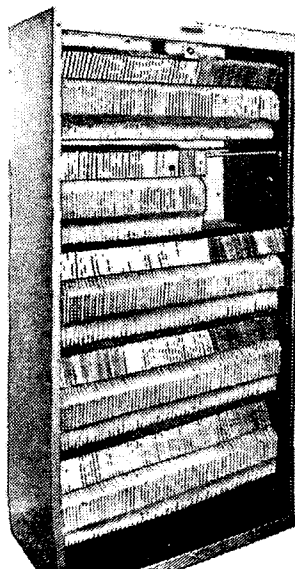


*Masoncopy Photorapid*

## Compact Filing Unit

A NEW lateral-suspension filing cupboard is now available for use with the redesigned *Vetro* folder. It measures 36 in. wide by 18 in. deep by 72 in. high and will hold up to 400 of the folders in five tiers. There is a spring-loaded roller blind which blends with the grey 'hammer' finish of the steel cupboard.

The main improvement in the folder is a metal tab which is firmly riveted to the buff manila and swivels to any of three positions. This gives maximum visi-



*Lateral Suspension Filing Cupboard*

bility irrespective of whether the folder is at, above or below eye level.

Prices: Cupboard with 250 folders £52 4s 9d. Cupboard only £21 15s 9d. Folders £5 13s 9d per 50.

Percy Jones (Twinlock) Ltd, Chansitor House, Chancery Lane, London, WC2.

## High-Speed Numbering Machine

MACHINES are taking over more and more of the work in busy mailing departments. A useful addition to the already extensive range of equipment is the *Pacemaster Numberer*. With this, sheets of paper can be either numbered or date-stamped at speeds of up to 2,000 per hour.

Stamping can be done in any position more than half an inch from the edge of the paper. If more than one stamp is needed, additional heads can be fitted simply and inexpensively. The numbering units are of the type made for hand operation by English Numbering Machines, and if one of these is already in use in the mailing department it can be fitted to the *Pacemaster*.

The machine accepts sheets of any size from 5 in. square to 13 in. square. The sheets are fed into the machine by a friction wheel. After passing along a chute they are stamped and stacked in a hopper.

The *Pacemaster* is 3 feet high and occupies a floor area of 40 in. by 21 in. Price: £120.

Kemp Applications Sales Ltd, 25 Coombe Road, New Malden, Surrey.

## UNIVERSITY ACCOUNTING STUDENTS' ANNUAL CONFERENCE

The fifth annual conference of the Association of University Accounting Students of the United Kingdom was held recently at the London School of Economics, and was attended by members of the Association from the London School of Economics and Liverpool, Sheffield, Manchester, and Bristol Universities.

The opening address was given by Professor W. T. Baxter, B.COM., C.A., who recounted the famous case of *McKessen v. Robins* and commenced by giving an account of the background and personalities involved in the case. In describing the system of fraud that was revealed, Professor Baxter showed that compared to the amount of detail and ingenuity entailed the actual gain to the authors was small. The auditing principles of the case were also examined.

In an address on 'The education of the articled clerk in the accountancy profession', Mr G. W. Murphy, B.A.(COM.), F.C.A., J.P., senior lecturer in accounting at the University of Manchester, outlined the various methods of obtaining instruction as an articled clerk, and dealt with the particular problems of each of the subjects in turn. In particular, he emphasized the need to work steadily to a fixed routine throughout the period of articles, allotting a fixed time each day to study, and illustrated this by talking about some of the methods he used as a clerk under articles.

He said that American textbooks on accountancy were, in general, superior to the British, and found part of the reason for this in the greater emphasis in America on university accounting studies. Mr Murphy then answered a number of questions from members.

The third lecture was given by Mr J. Meares, F.C.A., secretary, Allen West & Co Ltd, on 'Some problems facing the chartered accountant in industry'. He showed how the accountant might find himself engaged on work which was not accounting in the pure sense, and how accountants could be particularly suited for an appointment as company secretary. Mr Meares also suggested that the emphasis of the work of the accountant in industry was changing and that the many aspects of financial control and costing were increasing in importance.

### New Officers

At the annual general meeting held during the course of the conference the following officers were elected for the year 1961-62.

*Chairman:* Mr N. Jones (Bristol).

*Vice-Chairman:* Mr D. Levy (Manchester).

*Hon. Secretary:* Mr C. Blazeby, 20 Chesterfield Rd, St Andrews, Bristol, 6.

*Hon. Assistant Secretary:* Mr J. Glover (Sheffield).

*Hon. Treasurer:* Mr M. Mumford (Liverpool).

## New Legislation

*All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.*

### STATUTES

#### 9 & 10 Eliz. 2

##### Chapter 7: Consolidated Fund Act, 1961

An Act to apply a sum out of the Consolidated Fund to the service of the year ending on the thirty-first day of March, one thousand nine hundred and sixty-one.

*Price 3d net.*

*March 2nd, 1961.*

##### Chapter 8: Electricity (Amendment) Act, 1961

An Act to empower the Central Electricity Generating Board to produce radioactive material in a nuclear reactor at any of the Board's generating stations for sale or supply to other persons, and to sell or supply radioactive material produced in any such reactor; and for purposes connected therewith.

*Price 4d net.*

*March 2nd, 1961.*

#### Chapter 9: Agricultural Research etc. (Pensions) Act, 1961

An Act to provide for contributory pension schemes in respect of persons employed at certain agricultural institutions and colleges financed wholly or partly out of public funds.

*Price 3d net.*

*March 2nd, 1961.*

#### Chapter 10: Overseas Service Act, 1961

An Act to authorize the Secretary of State to contribute to the expenses incurred in connection with the employment of persons in the public services of overseas territories or in respect of compensation paid to persons who are or have been employed in those services.

*Price 3d net.*

*March 2nd, 1961.*

# JOHN FOORD & COMPANY

56 VICTORIA STREET, LONDON, SW1

Telephone: Victoria 2002 (3 lines)

## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

**Chapter 11: Diplomatic Immunities  
(Conferences with Commonwealth Countries  
and Republic of Ireland) Act, 1961**

An Act to provide for conferring certain immunities on representatives of Governments of Commonwealth countries and the Republic of Ireland attending conferences in the United Kingdom and on their staffs.

Price 4d net.

March 2nd, 1961.

**Chapter 12: Consolidated Fund (No. 2) Act,  
1961**

An Act to apply certain sums out of the Consolidated Fund to the service of the years ending on the thirty-first day of March, one thousand nine hundred and sixty, one thousand nine hundred and sixty-one and one thousand nine hundred and sixty-two.

Price 3d net.

March 28th, 1961.

## Notes and Notices

### PROFESSIONAL NOTICES

The partners of ANNAN, DEXTER & Co, Chartered Accountants, announce with regret the death on May 24th, of their senior partner, MR GEOFFREY BOSTOCK, F.C.A., in his 81st year. He became a partner in 1904 and remained in practice until his death. The firm's practice will be continued under the same name by the remaining partners.

MR LANGFORD R. LEWIS, F.C.A., of 40 Lansdowne Road, Luton, announces that he has admitted into partnership his son, MR JOHN RICHARD LEWIS, A.C.A. The practice will be conducted under the firm name of LEWIS & LEWIS.

MESSRS NEWTON & Co, Chartered Accountants, of 63 Temple Row, Birmingham, 2, announce that they have taken into partnership Mr ALAN MORLEY WHEELER, A.C.A., who has been a senior member of their staff for some years.

### Appointments

Mr J. E. H. Davies, M.B.E., F.C.A., has been appointed managing director of Shell-Mex and B.P. Ltd.

Mr S. G. Deavin, O.B.E., F.C.A., is to be deputy chairman of the North Eastern Gas Board from July 1st.

Mr J. V. Harding, F.C.A., has been appointed a director of Buckley's Brewery Ltd.

Mr B. M. Lindsay-Fynn, B.COM., F.C.A., has been appointed chairman of A. W. (Securities) Ltd.

Mr Eric Turner, F.C.A., has been elected a director of Associated Electrical Industries Ltd.

Mr A. H. Marshall, M.A., F.C.A., has been appointed an additional director of Selangor River Rubber Estates Ltd.

Mr J. E. Read, F.C.A., has been appointed a director of Henry Ford & Son Ltd.

Mr P. Rodney Pollard, F.C.A., has been appointed a director of Mercantile Leasing Co Ltd.

### OBITUARY

#### William Henry Hamm, F.A.C.C.A., A.C.I.S.

It is with regret that we record the death on May 15th, in his 55th year, of Mr William Henry Hamm, F.A.C.C.A.,

A.C.I.S., principal in the firm of W. H. Hamm, Certified Accountants, of Coventry.

A Fellow of The Association of Certified and Corporate Accountants since 1932, Mr Hamm was for many years secretary and chief accountant of Singer & Co Ltd. He commenced to practise on his own account twelve years ago. He was a committee member and former Vice-President of the Coventry and District Society of Certified Accountants and was the Society's representative on the council of the Coventry Chamber of Commerce and a member of the Chamber's taxation committee. He was also vice-chairman of the professional studies and management advisory committee of the Lanchester College of Technology.

Mr Hamm was a keen rugby enthusiast and in his playing days captained Earlsdon Rugby Football Club and was latterly vice-chairman of the club.

He leaves a widow and married daughter.

### WORK STUDY CONFERENCE

The intelligent application of work study is already effecting savings of several million pounds a year. To show directors and senior executives in industry the practical ways in which this is being achieved, the British Institute of Management is holding a one-day conference on June 14th at the Connaught Rooms, London, WC2.

Mr M. W. Perrin, C.B.E., M.A., B.SC., F.R.I.C., chairman of the Wellcome Foundation Ltd, will open the conference and speakers will include Mr A. G. Kentridge, B.SC.(ENG.), principal, The British Transport Commission's Work Study School, and Dr K. W. Gee, B.SC., M.SC.(TECH.), PH.D., deputy head, Central Work Study Department, Imperial Chemical Industries Ltd. There will be group discussions and the conference will close with a panel discussion led by the speakers, who will be joined by Mr Edwin Fletcher, M.A., F.C.A., industrial relations adviser, Associated Industrial Consultants Ltd.

Further details regarding the conference are obtainable from The British Institute of Management, 80 Fetter Lane, London, EC4.

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**MANCHESTER CHARTERED ACCOUNTANT  
STUDENTS' SOCIETY**

The report for 1960 of the committee of the Manchester Chartered Accountant Students' Society presented at the annual general meeting held on April 27th, records that membership at the year-end numbered 1,430, an increase of fifty members.

During the year, a comprehensive programme of lectures was arranged and the last of the residential courses to be organized jointly by the tuition committees of the Manchester and Liverpool Societies was held during March at Burton Manor. In the autumn, the first residential course to be arranged independently by the Manchester joint tuition committee was held at Lyme Hall, near Disley, and proved to be highly successful. Social functions during the year included the Society's annual dinner, which was attended by 220 members and guests, and two Presidents' tea parties for newly-articled clerks. At sport, rugby and association football, cricket, golf and hockey matches were played. The Bolton Branch, as a result of a special meeting held last June, formed a new branch committee and the Branch has subsequently been revived. The report records the Society's appreciation of the work of Mr J. P. Hardman, A.C.A., the hon. secretary, and his committee, in developing and maintaining local interest in the Branch.

**Students' Dance**

An informal dance - 'The Tickers' Ball - organized by the Society for members and their friends will be held at *The Belle Vue Hotel* (Cumberland Suite), Manchester, on June 15th, from 8 p.m. to 1 a.m. Dancing will be to Humphrey Lyttleton and his band and the Belle Vue Resident Orchestra. It is hoped that the dance will show a profit which will be used to subsidize social functions, such as a luncheon club, at which distinguished persons would be asked to address the Society. Tickets are priced 10s each.

**ACCOUNTANTS' CROSSWORD: SOLUTION**

The solution to the Crossword for Accountants compiled by Mr Kenneth Trickett, F.C.A., which appeared in last week's issue, is as follows:

**CHARTERED ACCOUNTANTS' GOLFING  
SOCIETY**

The sixty-second annual general meeting of the Chartered Accountants' Golfing Society was held at *The Endcliffe Hotel*, Cliftonville, on May 13th, during the week-end meeting at Royal St George's Golf Club, Sandwich, under the chairmanship of Mr J. B. Pittman, who was again elected President.

Mr A. W. Coleman was elected Captain and the retiring Vice-Presidents, Messrs L. R. Elcombe, D. V. House and L. E. Parsons were re-elected.

The following were also elected:

*Vice-Captain:* Mr D. W. Gibson.

*Hon. Secretary and Treasurer:* Mr D. V. House.

*Hon. Match Secretary:* Mr C. I. Steen.

Messrs P. H. Blandy, R. A. Daniel and H. Lemmon were re-elected to the Committee.

Mr J. S. Hyland was reappointed Hon. Auditor.

The leading results of the competitions were as follows:

**CAPTAIN'S PRIZE**

(presented by the retiring Captain, Mr L. V. Mills)

1. P. H. Blandy (16)	..	..	41	points
Wins Captain's Prize and Ernest Cooper Cup.				
2. R. G. Carter (24)	..	..	40	"
Wins second prize.				
3. H. D. Nicholson (2)	..	..	36 6/8ths	"
Wins scratch prize.				
S. Pleydell-Bouverie (13)	..	..	36 3/8ths	"
J. H. Shaw (8)	..	..	36	"
H. C. Staines (6)	..	..	35 7/8ths	"
N. W. Collett (13)	..	..	34 3/8ths	"
J. M. Kaye (3)	..	..	33 5/8ths	"
P. Wand (9)	..	..	32 7/8ths	"
T. R. T. Bucknill (10)	..	..	32 6/8ths	"
M. Green (11)	..	..	32 5/8ths	"
W. O. Newcomb (5)	..	..	32 3/8ths	"
A. M. Milling (15)	..	..	32 1/8th	"

**SATURDAY FOURSOMES**

1. S. A. Letts (12) and S. Pleydell-Bouverie (15)	..	..	34 3/8ths	points
Win first prize.				
2. H. Lemmon (11) and T. Spencer (11)	..	..	32 2/8ths	"
Win second prize.				
J. M. Kaye (3) and H. D. Nicholson (2)	31	7/8ths	"	
D. V. House (17) and P. H. Blandy (15)	31	3/8ths	"	

**SUNDAY FOURSOMES**

1. A. P. Humphries (15) and M. Green (11)	..	..	37 7/16ths	"
Win first prize.				
2. H. W. Claxton (6) and E. H. Head (10)	37		"	
Win second prize.				
P. Wand (9) and R. A. Daniel (11)	34	12/16ths	"	
T. Spencer (11) and G. G. Youngs (11)	33	12/16ths	"	

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## Motor-cars and Income Tax-I

ECONOMISTS cynically dub as 'conspicuous waste' the effects of one of the oldest economic forces, the urge to emphasize one's wealth by a display of extravagance. In times of heavy taxation, which in itself tends to produce higher prices, the lion's share of the cost of conspicuous waste can often be transferred to the Exchequer. It follows that the urge towards conspicuous waste in the realm of business expenditure can be given freer rein, the stock reason advanced for such expenditure being 'prestige'.

The modern status symbol *par excellence* is the motor-car; people with no hope of ever obtaining tax relief for any part of the cost of a car will even go hungry to have one. The law does not require that assets in relation to which tax relief is being obtained should bear any indication of that fact or of the user's name. Thanks to the secrecy accorded to income tax returns a motor-car can present two faces: to the tax Inspector it is a piece of industrial or commercial machinery; to the admiring (and envious) passer-by in the street it is a symbol of personal affluence. Small wonder then that in the United Kingdom the majority of the most expensive make of car of all are said to be registered in the name of trading companies. No 'vulgar advertising' - prestige or otherwise - sullies its immaculate coachwork; nothing in the licence indicates that it is used for anything so mundane as trade.

These facts were no doubt present in the mind of the Legislature when it withheld investment allowances from motor-cars, and when at one time it imposed a differential rate of purchase tax on cars costing above a certain figure. The problem could have been attacked again through purchase tax by confining that tax to cars used for pleasure and by disallowing all the purchase tax in computations of profit. However, the Government has chosen to attack the problem through the provisions for direct taxation; clauses 20 to 23 of the Finance Bill restrict the allowances for the cost of a motor-car in so far as it exceeds the arbitrary figure of £2,000. In the words of MR SELWYN LLOYD, if business men want to use more expensive cars it is not unreasonable that they should carry the excess over £2,000 themselves and not pass part of it on to the Exchequer. It is against the cost of the car itself that the legislation is directed; extravagance in running costs remains free.

Clause 20 deals with capital allowances, clause 21 with renewal allowances, and clause 22 with expenditure on simple hire. It is perhaps simpler to deal first with clause 23, which is supplementary to the above clauses and defines their scope. They each refer to 'a vehicle to which this section applies', which we will



call in this article 'cars'. Clause 23 (1) defines such vehicles as

'mechanically propelled road vehicles constructed or adapted for the carrying of passengers, other than vehicles of a type not commonly used as a private vehicle and unsuitable to be so used'.

Here again the crane would obviously be immune. A one-seater Rolls-Royce, if such existed, would not be constructed for the carriage of passengers (*Fry v. Bevan* (81 Sol. J. 60), even assuming it could be said to be 'commonly used as a private vehicle'. As to this phrase, it presumably refers to a vehicle produced in quantities. A motor coach would be immune; so it is open to directors to acquire a motor coach of the most luxurious kind, built to order. In any case, the owner of a car-hire business is unlikely to be much put out: clause 23 (2) excludes clauses 20 to 23 where the vehicle is provided (or taken on hire) 'wholly or mainly for the purpose of hire to, or the carriage of, members of the public in the ordinary course of a trade'. Here it is a matter of intention; if the taxpayer can satisfy the Commissioners that he acquired the vehicle mainly for that purpose it does not seem to be necessary to show that the vehicle was actually so used. Thus, in *C.I.R. v. Guthrie* (31 A.T.C. 337) a butcher who had to use private cars for business purposes paid £1,144 in advance for a car which the seller had in fact already sold to someone else. As the seller became insolvent the butcher neither acquired the car nor recovered the £1,144. Nevertheless, it was held that the £1,144 was capital expenditure which he had incurred on the provision of machinery for the purposes of his trade and accordingly it qualified for initial allowance. As a result of this case the Finance Act, 1957, amended the provisions relating to initial and investment allowances so as to require that the machinery shall have 'belonged to' the taxpayer in consequence of the expenditure.

Clause 23 (3) provides that references in the three clauses to expenditure on the provision or hiring of a vehicle do not include references to either:

- (a) expenditure incurred before April 17th, 1961; or
- (b) expenditure incurred under a contract entered into before that day.

It would seem then that where a company had already given a binding undertaking to a particular distributor or manufacturer to purchase

all its more expensive cars from him, the protection of clause 23 (3) would apply to all subsequent purchases 'under' that contract.

Clause 23 (5) provides that clauses 20 to 23 shall be construed as one with Chapter II of Part X of the Income Tax Act, 1952, which deals with capital allowances on machinery and plant. However, there is a minor exception in the case of clause 21.

Clause 20 (1) provides that the provisions about capital allowances on cars shall be modified as set out in the remaining sub-clauses. The unallowed expenditure is to be limited to £2,000 and any reference to cost is to be treated as excluding cost above £2,000 (clause 20 (2)). This simply means that where cost exceeds £2,000 it is to be taken as £2,000. When the car comes to be disposed of, the consideration received for it will of course reflect the fact that it originally cost more than £2,000. Since no initial or annual allowances will have been given on that excess, clause 20 (3) provides that for the purpose of balancing allowance or balancing charge the consideration is to be reduced 'in the proportion which £2,000 bears to' the actual cost.

#### Example

A. Ltd purchases a car for £6,000 for use by an employee but after one year sells it for £3,300. The capital allowance computations are as follows:

Cost ( <i>vide</i> clause 20 (2))	..	..	£	£
Initial allowance	..	..	400	2,000
Annual allowance	..	..	500	
Total allowances			—	900
Unallowed expenditure	..	..		<u>£1,100</u>

Sale moneys ( <i>vide</i> clause 20 (3))			£	
$\left(\frac{£2,000}{£6,000} \times £3,300\right)$	..	..	=	1,100

This equals the unallowed expenditure: therefore no balancing allowance and no balancing charge.

Assuming that the sale proceeds were 4,500 (i.e. that the annual allowance normally given accurately reflects the actual fall in market value) then there would be a balancing charge (to recover the initial allowance) as follows:

$(1/3\text{rd of } £4,500) - £1,100$	..	=	400
Sale at actual cost price less income tax allowances actually received will of course attract a larger balancing charge computed as follows:			
$(1/3\text{rd of } £5,100) - £1,100$	..	=	600

There are some complicated provisions in the Income Tax Acts which require it to be assumed that machinery changing hands has been sold at the market price.<sup>1</sup> Clause 20 (4) provides in effect that this market price is also to be reduced in the proportion which £2,000 bears to the actual original cost. This same sub-clause also provides, as a corollary, that in the application of clause 20 (3) to the person acquiring the car, references to the expenditure incurred on its provision mean references to the expenditure of the prior owner.

<sup>1</sup> Income Tax Act, 1952, Section 328; Income Tax Act, 1952, Fourteenth Schedule; Finance Act, 1952, Sixth Schedule, paragraph 5.

There may, of course, be a subsequent change of ownership of the same car which also falls within one of the three provisions mentioned above. In that event, clause 20 (4) is to apply, as though the intermediate owner had incurred the same amount on the provision of the car as was incurred by the original owner; in other words the proportional cutting down is to be applied. However, this will not apply if in the meantime there has been a change of ownership which does not fall within any of the three provisions referred to in the footnote.

*(To be continued.)*

## Decimalization in South Africa

### 'LICKING OUR WOUNDS'

by C. C. LUNDY, F.C.A. (Cape Town)

IT all started, as so many reforms do, with a Private Member's Bill. From there it went on to a commission, then a Decimalization Board was formed to investigate further and make recommendations. Opinions were obtained from organized commerce and industry, banks, railways, Government departments and schools; then detailed investigations, including time and motion studies, were carried out with the assistance of accounting machine manufacturers and distributors. The probable reactions of the shopping public were forecast by the sifting of an enormous mass of statistics obtained from chain and department stores, and the Decimalization Board sat back to assimilate the rather indigestible mass of data it had accumulated.

Then it was announced that the unit of currency would be the Rand (10s) divided into one hundred cents, and that the date of the change-over to Rand/cents (D-Day) would be February 14th, 1961. The Board went on to say that for a considerable period (probably up to twenty months after D-Day) it would be necessary to operate in both the old and new currencies, basing this decision on its appreciation of the 'machine problem'.

#### • The Machine Problem

A census of accounting machines, adding machines, cash registers, petrol pumps, franking machines, etc., had been taken and age limits laid down, varying from eight to twenty-five

years, within which the machines would be converted to decimal operation at the expense of the Government; with a further margin of up to five years within which partial compensation would be granted to owners whose £ s d machines would become obsolete.

Since it would obviously take several months, even with a greatly expanded force of mechanics, to convert all the machines to decimal operation, it was decided to give the business world the choice as to whether to convert on D-Day or subsequently, until such time as all the machines eligible for free conversion had been dealt with. The only exception to this was the banks, who were obliged to convert on D-Day. In actual practice, not only the banks, but the Post Office, various Government and municipal departments, the railways, and most of the large retailers also changed over on D-Day, and it is confidently expected that the original estimate of twenty months for the conversion plan will be reduced quite considerably.

In the meantime, both currencies are in use together; you pay for your bus fare in pennies, but for your railway ticket in cents; you can tender pennies in a shop which is operating in decimal coinage and vice versa. You can even offer (and receive) a mixture of pennies and cents, and it is all sorted out in the end. Notes and silver have exactly the same value as before, so it was only in the penny-cent relationship (one penny=ten-twelfths of a cent) that any problem could arise.

### Shortage of Cents

And of course it *did* arise, mainly because in many of the large towns there was a serious shortage of cent and half-cent pieces right from the word 'go'. The Decimalization Board, acting on the advice of the banks, had arranged for the minting of 20 million cent pieces and 10 million half-cents, but this proved to be quite inadequate, and situations arose where shops which displayed notices that they were operating in decimal currency were obliged to give change in pennies instead of cents, and factories where they had calculated their pay-rolls in Rand/cents were compelled to convert them back to £ s d at the last minute because they could not get an adequate supply of cents.

### Hoarding for Profit

The Decimalization Board blamed the shortage on to hoarding, but in this it was only partly right, and it should in any case have foreseen the tendency to hoard the new coins. First and foremost, they had a curiosity value; people, especially children, wanted a few to handle and jingle in their pockets, and large quantities of them disappeared overnight into 'piggy banks' all over the country. From this developed an even more insidious reason for hoarding, which the Board has also overlooked. Since cents were in short supply, shopkeepers could only give pennies as change; so if a shilling (ten cents) was tendered for an article costing eight cents, the customer received two pennies change instead of two cents. If he complained, the shopkeeper simply shrugged his shoulders and said he didn't have any cents, so the customer made a mental note that the next time he got hold of any cents he would hang on to them until he could get full value for his money, and there was our old friend, Gresham's Law, working full blast to drive out the cents.

Oddly enough, the Board had always been rather preoccupied with the possibility of people hoarding, but in the early days it had been pennies, not cents. As soon as it became clear that decimalization was coming, some of the public decided that here was an easy way to make money. If, they reasoned, they collected sufficient pennies to make it worth while, they could exchange them for cents after D-Day with a profit of twopence in every shilling. The Board hastened to point out, however, that where pennies were to be exchanged for cents, it would be at the rate of ten cents for twelve pennies; it went on to say that even petty profit-making would be difficult as the banks would accept

pennies for exchange only in multiples of six, and retailers were advised to restrict exchanges to multiples of three pence.

### Some Solutions

At the height of the cent shortage, many responsible business men urged the Government to equate the penny and cent, as being the simplest way to solve the problem; the stocks of pennies in the hands of the banks could have been converted at the official rate, and the loss on pennies still in circulation, hoarders or no hoarders, would have been less than the cost of minting vast quantities of new coins. But the Board turned down the proposal on the grounds that until such time as all the £ s d machines had been converted, the duality of the currency must be maintained. There is still, however, a possibility that once the conversion task is finished, penny and cent will be given official parity.

A solution which could possibly have been applied was for the Government to have withdrawn the stocks of pennies from the banks at the official exchange rate, then stamped or punched holes in them and reissued the pennies as cents. It could even have been done at local depots to avoid the problem of transporting large quantities of coins over thousands of miles. As it is, the banks are hard pressed to find storage space for millions of pennies which are now virtually out of circulation.

### Profiteering on Conversions

The second major snag which arose was that of the petty profiteering which went on in the process of converting prices from £ s d to Rand/cents. It is understandable that if a retailer wanted to round off a price he would round it upwards rather than downwards, but not content with this, many retailers have taken the opportunity of adding the odd cent or half-cent. Nor has this been confined to shopkeepers: the Post Office, the banks and the public transport bodies, who should have known better, also joined in the orgy of 'cent-snatching' until there was an outcry from the long-suffering public.

When, in the period before D-Day, the Decimalization Board had originally announced the rates at which pennies were to be converted to cents, they issued not one table but three. The most important was known as the 'popular' table shown on the opposite page.

Then there was the 'banking and accounting' table, designed to remove the half-cent from all banking and book-keeping conversions, in which 3d became 3 cents (half-cent up) and 9d became

Pennies				Cents
1	..	..	..	1
2	..	..	..	2
3	..	..	..	2½
4	..	..	..	3
5	..	..	..	4
6	..	..	..	5
7	..	..	..	6
8	..	..	..	7
9	..	..	..	7½
10	..	..	..	8
11	..	..	..	9
12	..	..	..	10

7 cents (half-cent down) as compared with the 'popular' table. Finally there was the 'comprehensive' table where all the amounts between a farthing and a shilling were calculated to three decimal places of a cent.

But although certain conditions were laid down concerning pay rates etc., there was no compulsory table for all purposes. The Board considered that owing to the complications of the various trades and industries which had to operate in fractions of a penny, it was not possible to lay down one table which would cope with every situation. They admitted that in many cases there would be no legal obligation on sellers to observe the recommended conversion tables, but appealed to them to observe the spirit of the Decimal Coinage Act so that the public would not be affected detrimentally by decimalization.

This tendency of the Board to make recommendations instead of 'laying down the law' was a weakness of policy, and whether it was wise thus to leave the final decision to those making the conversions is open to considerable doubt. Had the Board laid down a specific table for all general purposes, to include halfpennies and half-cents, and then invited those engaged in such trades as, for example, the sale of milk and bread to apply for special rates for their commodities, much of the ill-feeling over price increases might have been avoided.

### Trivial but Irritating

When complaints were made to commercial organizations concerning price increases, they made the excuse that 'the variations in prices were mostly caused by factors other than decimalization'. But surely a more auspicious occasion could have been chosen for making those 'variations'. Then when appeals were made to the Price Controller to investigate the matter, he stated that most of the complaints which had been made were found to be of a trivial nature. Of course they were trivial, but sufficiently

important psychologically to imperil the success of the whole conversion operation. If the six girls in the typists' pool had been in the habit of sending the office boy out each morning with a shilling to buy themselves a bread roll each, they would find that their twopenny roll had gone up to two cents, and that they only got five rolls for their shilling, which was now called a ten-cent piece. And as they tried to work out on a piece of scrap-paper how to share five rolls between six girls, one of them could have doubtless been heard to grumble that it wasn't the money, it was the principle of the thing. Moreover, in a country where the native population is living at a much lower standard than the white population, fractions of a penny can be very important over a period.

### Producers' Losses

Not all the losses were borne by the consumer. Some factories were faced with considerable costs in changing their plant to alter the size of penny line articles such as boxes of matches which were to sell at one cent. A large brewery company complained that the change in the price of a bottle of beer from 1s 5d to 14 cents would cost them £50,000 a year, while an industrial leader estimated that the conversion of wage rates (where the Government had laid down that any rounding off *must* be upwards) would cost many producers thousands of pounds a year.

The Decimalization Board had always considered that their main responsibility was coping with the 'machine problem'; here their planning and organization were excellent, and the results to date have been all that could be desired. They also handled the publicity side very well; their posters and training pamphlets, running into millions of copies, were of a high standard and played a large part in enabling employers to give their staffs proper training.

### Men and Machines

By and large, it went off very well considering the magnitude of the operation and the fact that there were no precedents in recent years on which the Board could base their plans. This is where other countries in the sterling area will benefit; when Rhodesia and Australia and New Zealand and – one of these days – Great Britain finally convert to decimal currency they will be able to profit from our experience, and we tender it gladly as a goodwill export. If there is one specific moral to be learnt – or re-learned – it is that people are still more important than machines.

# Winding-up Petitions

## RIGHTS OF JUDGMENT CREDITORS AND OTHERS

by W. H. D. WINDER, M.A., LL.M.

A CREDITOR of a company who has obtained judgment against it for the payment of his debt may not see eye to eye with other creditors who have not taken this step. They may disagree about resorting to compulsory winding-up as a method of securing payment. Any creditor or contributory may present a petition to the Court for compulsory winding-up when a company 'is unable to pay its debts', in the words of Section 222 of the Companies Act, 1948. One of the cases under Section 223 in which a company is deemed to be unable to pay its debts is that of a judgment debt being unsatisfied in whole or in part. But a judgment creditor who has gone to the trouble and expense of obtaining judgment, and even then cannot obtain full satisfaction, has not an absolute right, as a last resort, to insist on a compulsory winding-up so as to obtain payment out of the assets. The wishes of the other creditors carry some weight. Sometimes the weight of their opinion is decisive.

It is provided by Section 346 (1) that

'The Court may, as to all matters relating to the winding-up of a company, have regard to the wishes of the creditors or contributories of the company, as proved to it by sufficient evidence.'

And subsection (2) goes on to state that 'In the case of creditors, regard shall be had to the value of each creditor's debt'. 'Having regard' to wishes does not necessarily mean to fall in with those wishes. Having had regard to them, the Court may decide to go against them, as happened in the case of *In re Vuma Ltd* ([1960] 3 All E.R. 629 (C.A.)) which resulted in a minority judgment creditor obtaining a winding-up order against the opposition of the majority. This year two further rulings have been reported on the choice between the competing wishes of different creditors.

It was reaffirmed that the decision is not to be arrived at by a mere counting of heads or debts. Had that been the intention, the Act would surely have said so in plain terms and the wording of Section 346 must have been quite different. As it is, that section confers a discretion on the

judge. He would have no judicial function to perform if the majority view had always to prevail, or if the view of a judgment creditor had always to prevail.

### The Court's Discretion

*In re P. & J. Macrae Ltd* ([1961] 1 All E.R. 302) is a decision of the Court of Appeal upholding a County Court judge who had made an order for compulsory winding-up on the petition of a judgment debtor who was opposed by other creditors, who constituted a majority. The company's business was that of furniture dealers and the judgment creditor had obtained a High Court judgment for £673 in respect of goods supplied. Some four weeks after obtaining judgment this creditor presented a petition to have the company wound up on the ground that the judgment debt had not been paid. At the hearing it appeared that there were eleven supporting creditors to the extent of £2,136, six of whom were for under £100 and two for under £50. There were forty-two opposing creditors to the extent of £19,101, of which one creditor was secured by debentures in the sum of £7,000 and unsecured in the sum of £10,000. The other forty-one opposing creditors represented some £9,000, the majority of them being creditors for under £100 and the remainder for under £50. No evidence was filed as to the grounds of opposition to the petition. The County Court judge held that the bare fact of a majority both in number and value of creditors was not in itself sufficient to deprive the petitioning creditor of his right, and in the exercise of his discretion the judge made the winding-up order.

The majority creditors urged that in the absence of proof of special circumstances there was only one way in which the judge could properly have exercised his discretion, namely, by giving effect to the wishes of the majority. No evidence as to special circumstances having been tendered, the failure of the judge to give effect to the wishes of the majority amounted, it was argued, to a failure to exercise judicially the discretion vested



in him. Even though this contention was rejected by the Court of Appeal some authority in support of it can be found.

There is, for example, a statement in *Buckley's Companies Act* (13th edition, page 450). After explaining that as between himself and the company a creditor who cannot obtain payment of his debt is entitled *ex debito justitiae* to a winding-up order, the editor of this work continues:

'This right of the creditor, however, is not his individual right but his representative right as one of a class. If a majority of the class, namely, the creditors of like degree, take a different view, the Court, in the absence at all events of special circumstances making an order "just and equitable", gives effect to such right as the majority desire to exercise. The Court, under Section 346, then has regard to the wishes of the majority and may refuse to make any order.'

Further, Mr Justice Buckley in *In re Crigglestone Coal Co Ltd* ([1906] 2 Ch. 327; 22 T.L.R. 585 (C.A.)) said that 'it is for the majority to seek or to decline the order as best serves the interest of their class', and added: 'It is a matter upon which the majority of the unsecured creditors are entitled to prevail, but on which the debtor has no voice.'

In that case, however, there was no question of opposition to the petition on the part of other unsecured creditors, the issue being between the petitioning creditor on the one hand and the company and the debenture-holders on the other. What was said by Buckley, J., as to the right of other unsecured creditors was, therefore, only an *obiter dictum*, and this point was not dealt with by the Court of Appeal to which the case subsequently went.

### Giving Reasons for Creditors' Wishes

It has been accepted in *In re B. Karsberg Ltd* ([1956] 1 W.L.R. 57) and in other cases that if special circumstances can be proved by a petitioning creditor when he finds himself opposed by a majority of the creditors of the same class, he will succeed. But this is not to say that he must prove such circumstances in order to succeed. In *In re P. & J. Macrae Ltd* there was no evidence of any special circumstances, and no attempt was made by the petitioning creditor to prove any.

The majority complained that the judge had misdirected himself by putting the onus of proof the wrong way round, the onus, it being argued,

being on the petitioning creditors, in view of the majority against them, to prove the existence of special circumstances justifying the making of an order. But the judge did not really suggest that an onus of proof was on the majority. What he actually said was:

'I doubt whether any question of onus of proof arises. As I see it, it is for the Court to weigh up all the relevant matters and decide whether the *prima facie* right of the petitioning creditor to an order should give way to the wishes of a majority of creditors expressed by the bare fact of opposition coupled with the nature of their debts.'

With regard to a petitioning creditor's *prima facie* right, *Palmer's Company Law* (20th edition, page 701) states:

'This right to a winding-up order is, however, qualified by another rule, viz. that the Court will regard the wishes of the majority in value of the creditors, and if, for some good reason, they object to a winding-up order, the Court in its discretion may refuse the order.'

There is a significant difference between the statement in *Palmer* and that in *Buckley*. The former is well supported by authorities. Thus, for instance, in *In re Uruguay Central & Hygueritas Railway Co of Montevideo* ((1879) 11 Ch.D. 372) the headnote reads:

'As a general rule, an unpaid creditor of a company is entitled to a winding-up order *ex debito justitiae*; but that rule is subject to exceptions: e.g. where all the other creditors oppose the petition, and it appears that the petitioning creditor will not be in a better position by obtaining a winding-up order.'

This decision was expressly approved by the Court of Appeal in *In re Chapel House Colliery Co* ((1883) 24 Ch.D. 259), approval also being given to the words of Fry, J., in *In re Great Western (Forest of Dean) Coal Consumers Co* ((1882) 21 Ch.D. 769, 773) as follows:

'... the Court ought to consider not merely the number of the opposing creditors and the value of their debts, but ought to have some regard to the reasons which they adduce. . . .'

### Opposers' Failure to Give Reasons

Creditors opposing a petition may well have formed the opinion that in their own, quite natural, interests they will get something if the petition is dismissed, and perhaps in due time get everything, from whomsoever is providing

the money, whereas if the company is wound up they will find nothing available for anybody. This is, of course, a good explanation of why they oppose a petition. It may not be quite the position. It may simply be that they can wait for their money and the petitioner cannot. But, as was laid down in *In re Vuma Ltd*, it is at least incumbent upon those who oppose a petition to say why they oppose it. In that case neither the opposing creditors nor the company chose to file any evidence at all and Mr Justice Harman said that 'it is not the law, and never has been, that under those circumstances a judgment creditor is not entitled to his remedy'.

The Court of Appeal in *In re P. & J. Macrae Ltd* supported the view expressed in *Palmer's Company Law* as being in accordance with the meaning of Section 346 of the Act. It seemed to Lord Justice Willmer (in whose judgment Lord Justice Ormerod concurred) that 'before a majority of creditors can claim to override the wishes of the minority they must at least show some good reason for their attitude'. This decision rejects the view that the bare fact of the opposing creditors being in a majority is of itself sufficient, still less conclusive, for disregarding the wishes of a judgment creditor.

#### Factors to be Considered

The fact that the judge did not give effect to the wishes of the majority did not mean that in exercising his discretion he did not have regard to them. It appears from the judgment of the trial judge that he did have regard, not only to the wishes of the majority, but to the fact that the majority was so large.

He took into consideration: (a) the fact that the petitioning creditors had obtained a judgment; (b) the fact that they had the support of a not inconsiderable minority; (c) the fact of the company's indebtedness to the extent of £30,000, of which no explanation was offered; (d) the absence of any evidence as to what, if any, were the assets of what, on the face of it, appeared to be a company in a relatively modest way of business. In these circumstances the majority of the Court of Appeal (Lord Justice Upjohn dissenting) held that it was not possible for that Court to interfere with the judge's exercise of his discretion to favour the judgment creditor.

In the other case this year, *In re A.B.C. Coupler & Engineering Co Ltd* ([1961] 1 All E.R. 354), there were circumstances which led Mr Justice Pennycuik to favour the creditors with debts amounting to over £18,000, who did not

want the company to be wound up, rather than the judgment creditor with an unsecured balance of £17,000, who did.

The company, incorporated in 1904 with a nominal capital of £200,000 and a paid-up capital of £194,000, had on August 31st, 1960, an excess of assets over liabilities of £689,687. In September 1960 a creditor of the company recovered judgment for £20,542 19s 3d, of which the company later paid £3,000, leaving a balance of the debt of £17,542 19s 3d. The company had an exclusive goodwill in parts of the Commonwealth for certain of its products and it appeared that there were prospects that it would be able to continue its business. On a petition by the judgment creditor for the compulsory winding-up of the company under Section 222 of the Companies Act, 1948, which was opposed by the company itself and by a number of creditors whose debts amounted to some £18,328, there being no supporting creditors, a winding-up order was refused.

#### Factors Favouring the Majority

The grounds which showed in this case that the wishes of the majority were reasonable were as follows. In the first place, the statement of the company's financial position on August 31st, 1960, showed that it had an excess of assets over liabilities amounting to no less than £689,687. In the second place, according to the evidence there were at least prospects that the company would be able to continue the business which it had carried on for over half a century. Pennycuik, J., concluded:

'Those prospects appear sufficiently good to a considerable number of creditors who oppose this petition for them to prefer that this company should be carried on rather than be wound up, and it seems to me that they are the best judges of that. On those facts I am not prepared to make an order for the winding-up of this company.'

Another factor stressed in the judgment was that there had been no attempt by the petitioning creditor to enforce his judgment debt by execution, so that this remedy was still open to him. In a period of about five months the company had paid £8,000 of the judgment debt and had further offered the petitioner a payment of £1,000 a month in further reduction of the debt, but the offer had been refused. On the other hand, there had been no attempt by the company to realize the interests shown by its balance sheet in various subsidiary companies. But the judge did not think that that fact was in itself a ground for compulsory winding-up.

# The Accounting World

## TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

### CANADA

#### Net Realizable Value or Replacement Value?

THE English Institute's latest recommendation as to the proper basis for valuation of stock-in-trade has again faced Canadian accountants with the problem of choosing between their traditional sources of guidance, England and the United States. The English Institute's normal standard is 'the lower of cost and net realizable value', while the American Institute favours 'the lower of cost and replacement value' but substitutes for the latter: (1) 'net realizable value less normal profit margin', if it is between replacement value and cost; and (2) 'net realizable value' if it is below replacement value.

In the 'Accounting Research' section of *The Canadian Chartered Accountant* for March, it is commented that the main difference concerned the propriety of writing off the 'normal profit margin' in addition to the actual loss in realizable value, and that on this point Canadian accountants, including the Committee on Accounting and Auditing Research of the Canadian Institute, cannot agree. Many Canadian practitioners find it hard to accept the American Institute's willingness to have a loss in one period offset by a profit in the following period – a situation for which it was difficult to find any justification other than the outmoded 'conservatism'. The writer said that there were so many situations in which tax or other non-accounting reasons made such conservatism desirable, that few Canadian accountants were willing to give up the practice completely unless compelled by overwhelming general disapproval.

The article concluded that Canada's only hope of solution now seemed to lie with the Accounting Principles Board of the American Institute of Certified Public Accountants, which has still to reconsider the American position.

### UNITED STATES

#### Information Retrieval

DR DAVID R. DILLEY expresses the belief, in the April issue of *The Controller* (New York), that before long 'Information retrieval' will be as familiar to business men as electronic data processing is today. The process involves indexing and filing documents mechanically and systematically to make the information speedily available when needed, and, says Dr Dilley, it is in the stage that E.D.P. was ten years ago.

A system which has gained prominence involves recording 'key-words' on magnetic tapes in an electronic computer and, as required, retrieving all

pertinent information from the computer. Each document is analysed intensively to select the key words that characterize its contents. Retrieval from the information storage file is achieved by inquiries by the researcher in the form of one or more key words, and only those articles or documents with key-word combinations matching the inquiry are withdrawn as references.

A recent development is an 'intelligence system' which can disseminate information to researchers in accordance with an 'interest profile' made up for each person on the mailing list.

### GHANA

#### A New Company Law Code

GHANA was fortunate in securing the services of Professor L. C. B. Gower as a Commissioner to inquire into company law there and to make recommendations for the amendment of the present companies ordinance and cognate laws. That was in August 1958. His final report has now been published<sup>1</sup> and is a most impressive document which will no doubt engage the attention of the Jenkins Committee (of which Professor Gower is a member) as well as of many other persons inside and outside Ghana. The report itself is dwarfed by a new draft Companies Code Bill (with Professor Gower's annotations) which constitutes Appendix 1. Appendix 2 comprises a draft Incorporated Private Partnerships Bill, similarly annotated. As its full name implies, the Companies Bill is not merely a Companies Bill which leaves unstated most of the fundamental rules on which it is in fact based; it is a complete code in itself. In his illuminating and masterly report Professor Gower says that the Bill is more sophisticated and 'tougher' than the English Companies Act, 1948, which probably will soon be replaced after the Jenkins Committee has reported. It may well be that the new Bill will not only become the company law for Ghana but for many other African states; the advantages of uniformity are obvious.

### GERMANY

#### Can Income Tax be a Cost?

THERE has been considerable discussion in Germany as to whether taxes can be 'costs' for the purposes of cost accounting. Although it has long been accepted that some taxes must be so regarded, e.g. taxes assessed on particular trades, some commentators have recently objected that this is incorrect. They see costs as representing real values consumed

<sup>1</sup> Obtainable from the Crown Agents for Oversea Governments and Administrations, 4 Millbank, London, SW1. 40s.

in the production of other real values, and taxes as representing a nominal value only, namely, money. In this sense, a payment of tax is simply a transfer of money, and does not belong in the cost accounts.

The argument that taxes do represent the consumption of real values, because they are spent on education, protection, co-ordination and so on, is refuted by these critics, who maintain that it is impossible to value such services for costing purposes, and to equate their values with the amount of taxes actually paid is patently wrong.

An article entitled 'The place of income taxes in cost accounting' in a recent issue of *Die Wirtschaftsprüfung* (Stuttgart), discussed these problems together with the proposition that a wider definition of costs, which found room for the inclusion of taxes, might be more useful. This would not preclude the differentiation between costs representing real values consumed and those representing nominal values paid out. The question is essentially whether such a terminology would be of any utility.

One point in favour of the inclusion of taxes is that this would complete the concordance of expenses (in the widest sense) with costs. The operative fact would appear to be whether the taxes contribute to the performances of the business in respect of which they are paid. This is the reason for excluding other expenses from costs, e.g. provision of dwellings for employees. But these expenses, although not costs of production, are in fact costs of another activity, e.g. of personnel services. It is conceivable that taxes

might be paid which did not contribute to any activity, such as land taxes on unoccupied property. The main aspect of this problem, however, concerns taxes on income.

Two different concepts of 'profit' were considered: the economic, being the excess of sales revenues over the related costs, and the commercial, being the profit shown by the profit and loss account. Income taxes are, of course, assessed primarily on the latter.

The great objection to including taxes in costs used for calculating economic profit is that it would render profits non-comparable. Increased productivity, for example, could be masked by increased taxation to a substantial extent. Further, in calculating product costs on the long-term basis, as the amount below which prices cannot fall without incurring losses, it is clearly inappropriate to include income taxes.

The commercial profit and loss account is a statement of 'nominal' values, and the consumption and production of economic values is not essential to it. It is designed to demonstrate the movements of a given money capital, and from this point of view, income tax is an expense. However, income taxes, although calculated on business profits and assessed on the business, are personal taxes and regarded for some purposes as though paid by its proprietors.

The article concluded, however, that in calculating long-term product costs to compare with selling prices, a notional calculation of income tax was necessary in order to compare return on capital with possible alternatives.

## Weekly Notes

### Annual Award Presentations

THE Lord Mayor of London presented *The Accountant* Annual Awards for 1961 at the Mansion House last Tuesday. In congratulating the winning companies - Albright & Wilson Ltd and The Prestige Group Ltd - the Lord Mayor referred to the desirability of the fullest possible information being given in reports and accounts.

Mr K. W. Mackinnon, M.B.E., T.D., Q.C., chairman of the Panel of Judges, laid similar emphasis on the need for adequate information, and said that the Panel would like to see all companies stating the group activities and showing their relative importance. He added that they would also like to see an indication of progress during the year under review in historical perspective by relation to comparative figures for previous years, and a reasoned appreci-

ation of the future. There were still many companies that fell behind in these matters.

A full report of the presentation ceremony appears on other pages in this issue.

### Financing a Business

THE Engineering Industries Association have published a booklet called *Financing Your Business*.<sup>1</sup> It contains just over sixty pages of information on methods of raising capital, including short- medium- and long-term. It deals in general terms with bank overdraft facilities and capital issues and then goes on to specific types of institutional finance available for meeting different kinds of needs for investment funds. There is also an index at the back so that any particular type of institutional source can be quickly turned up.

The publication owes some of its inspiration to the Radcliffe Committee which commented in its report on the gaps which still exist in the capital market for small concerns especially for raising long-term capital. The booklet describes in simple terms, with clear headings and a fairly standard layout for each

<sup>1</sup> *Financing Your Business*, Engineering Industries Association, London. Price 5s.

chapter, the various types of finance which can be used to help a business to develop profitably. The actual preparation of the brochure was undertaken by the E.I.A. Financial Problems and Taxation Committee, and acknowledgment is paid to the assistance given by certain Government departments, banks and other financial institutions.

The booklet is directed primarily at the engineering industry, but it will be a useful source of information for many other industries. There is nothing unique about the problems of the engineering industry so far as the raising of capital is concerned, except perhaps that it is the largest group of industries in the country and has the largest number of small concerns which could usefully approach certain types of financial institution more readily if they knew they existed and were aware of the terms under which they operate. The information contained in this pamphlet will be of considerable help to all industries which are engaged in some type of manufacturing, and there are many parts of it which will be equally useful to service industries.

### Registration of Charities

ONE of the principal ways in which the Charities Act, 1960, seeks to make better known the existence of charities and to facilitate the co-ordination of charitable activities is by the setting up of a central register of charities, maintained by the Charity Commissioners and the Minister of Education. The registration provisions are contained in Sections 4 and 5 of the Act, the scheme of which is that all charities should be recorded in the central register other than those within subsection (4) of Section 4; that is to say, the 'exempt' charities comprised in the Second Schedule to the Act, charities excepted by order or regulations (voluntary schools having no permanent endowment other than their premises have been so excepted), charities having neither any permanent endowment, nor any income from property amounting to more than £15 a year, nor the use and occupation of any land, and places of religious worship already registered by the Registrar-General under the Places of Worship Registration Act, 1855.

Every charity founded on or after January 1st last has been immediately registrable, unless within Section 4 (4), and accordingly the trustees of every such charity should already, in compliance with Section 4 (6), have made application to the Commissioners or, in the case of an educational charity, to the Minister for its registration. Section 4 (10) provides, however, that the section is not to apply to charities taking effect before the commencement of the Act until such date as the Home Secretary or the Minister may appoint by order made by Statutory Instrument, the intention being that the central register be completed gradually on a geographical basis over a period of some three years. The first order under Section 4 (10) has now been made, making registrable on June 22nd next charities the

work of which is carried on for the benefit wholly or mainly of the administrative counties of Bedfordshire and Surrey and the county borough of Croydon or any part or parts thereof. At the same time an order has been made deferring until January 1st, 1963, the registration of charities wholly or mainly for the advancement of religion, pending the agreement of permanent excepting regulations. All religious charities are within this order, but not denominational charities for secular purposes.

### The Solicitor's Work

IGNORANCE of the law often begets fear which explains why solicitors, like policemen, are sometimes looked upon with apprehension by many respectable people. In an attempt to remove the haze of misunderstanding as to what exactly are the functions of a solicitor, The Law Society has sponsored the preparation and recent publication of a popular guide on the subject.<sup>1</sup>

Written in simple and, at times, conversational style, the information given is divided into two parts. The first explains the difference between solicitors and barristers; how to choose a solicitor and what he will charge; the scope of his services; the etiquette of his profession; and his role as 'man of affairs' and as adviser and consultant to his clients. The second part illustrates more specifically the services he may render in connection with, for example, buying a house, making a will, motoring, going into business, hire-purchase, marriage and divorce.

The author succeeds in making the points that solicitors are both human and approachable; that by consulting them, clients are in no way committed, in the first instance, to running up large bills; and that the tradition and training of this branch of the legal profession makes its members – there are nearly 20,000 practising solicitors in England and Wales – well suited to be the trusted guide, philosopher and friend of Everyman from the cradle to the grave.

### Low Unemployment

THE unemployment figures for May show a percentage of 1.3 which is the lowest figure recorded for the month for five years. This record figure is partly explained by the below-average decrease which took place in April. Nevertheless, the figure is significant especially as it has reduced the number of unemployed below the level of unfilled vacancies. When these two lines cross and vacancies begin to exceed the unemployed, it is an indication to some extent that inflationary pressure is building up.

The increased demand for labour is not spread evenly throughout the country. It appears to be greatest in London and south-east England, in the Midlands and in Yorkshire. There has been a very small increase in unemployment in the North Midlands, while in Scotland and Northern Ireland there

<sup>1</sup> *The Services of a Solicitor*, by H. J. B. Cockshutt, (Hodder & Stoughton Limited, London. 2s 6d net.)



is still a substantial figure of unemployed. Whereas in the first-named areas the unemployment percentage is below 1 per cent, it is still 3 per cent in Scotland and 7½ per cent in Northern Ireland.

It is apparent at the moment that the increased demand for labour is hardly being accompanied by a significant increase in industrial production. Certain industries, notably shipbuilding and certain consumer durable industries are still operating well below capacity and even the motor vehicle industry is hard put to maintain the recent level of increased output established in the early spring. In consequence, managements must be regarding labour as a highly scarce commodity which they must hold in reserve.

It is thus not inconceivable that there is a certain amount of hoarding of labour before it is actually required on the production lines. It follows from this that it is exceedingly difficult to move labour from contracting to expanding industries.

Another reason for the upsurge in the demand for labour is that those industries which are booming, notably certain service industries and housing, are large users of labour. The result for the time being is that labour is generally scarce, certain industries are having difficulty in recruiting workers and the hands of the trade unions are being strengthened by the low level of unemployment when it comes to the next annual round of wage demands.

## *This is My Life . . .*

by An Industrious Accountant

### CHAPTER 79

OUR factory manager, Ilkley, is planning an export drive and wants more modern plant to compete abroad, so the board of directors assembled to review his justification. He was most enthusiastic about it; he could cut costs to the bone and really win an increased market, he said; he had the figures to prove it. 'Happen t'new looms will mak' fortune,' he exclaimed cheerfully, and this type of prediction naturally was just music to the ears of our directors.

His case seemed good at first sight. One big double-bay of the factory houses some pre-war plant whose output is too slow in terms of time and hence too costly in productive wages to stand up to modern competition. Public demand for the lines involved had dwindled sadly; we could sell off the machines, install new models, and literally quadruple our production. His overheads, as Ilkley pointed out shrewdly, would scarcely increase except by interest and by depreciation on the new looms, slightly offset in turn by saving on maintenance costs; other administrative costs would remain broadly constant. The spread of the overheads over the increased offtake would obviously result in decreased unit costs and the new lines produced would carry increased selling prices; it was all tied up neatly. 'Surely there's noan so daft as can't follow t'reasoning,' said Ilkley. 'Reckon we'll be alreet.'

The directors reckoned likewise, and the cigar smoke hung in eddying whirls over our happy heads.

Then they got round to costing the export lines: we could probably build up a substantial trade by our cheap unit costs, they thought. After all, by allocating the fixed overheads to our present production, the new production would cost barely more than the

price of materials and direct labour and supervision; the incremental cost was negligible. Add perhaps 10 per cent to cover office costs, telegrams and freight and so on, and another ten for contingencies and our price was still right. Better order the new gear at once.

At this stage I had to interrupt. Surely we couldn't have it both ways; either we spread the overheads over all our production including the export categories, or else we kept the exports free of all but direct charges, in which case we couldn't anticipate quite such good home trade. The directors looked at me bleakly. I felt it was an uphill fight; the image of the pernickety, over-cautious accountant of tradition hung momentarily in the air.

'Suit thyself, then,' said Ilkley, grumpily. He explained that we couldn't generalize; he'd save on the important lines; he knew we wouldn't do well on everything. He has a broad immobile face that doesn't show his thoughts but his manner was confident. The directors clearly trusted him; his forty-odd years of experience were almost tangible support of his forecast. You could almost read their thoughts: a well-meaning accountant, naturally, but rely on the factory man for your profits. Granted that Ilkley had only produced some rough approximate figures, without specific quotations and in general terms but, of course, he knew his stuff.

So, with little more than this loosely based and optimistic 'guestimate' of the future, unchecked and undocumented, they agreed to order £60,000 worth of machinery. It reminded me of Samuel Pepys' astonishment in September 1663, when his own recommendation was approved so readily by his board:

'But, good God, to see what a man might do, were I a knave, the whole business being done by me out of the office and signed by them upon the once reading of it to them, without the least care or consultation either of quality, price, number, or need of them, only that in general, it was good to have a store.'

Apparently, top executives have been the same through the centuries.

# Finance and Commerce

## Charterhouse Credit

THE accounts of The Charterhouse Group Ltd, which form the subject of our reprint this week, add another chapter to the sorry story of how the hire-purchase finance companies were caught up in the hire-purchase boom—and their losses. The Group was involved through The Charterhouse Credit Corporation Ltd.

In his review, Sir Nutcombe Hume, K.B.E., M.C., the chairman, says that at this time last year, the 65 per cent holding of the ordinary shares was regarded as a valuable investment, likely to make a substantial contribution to group profits. In the event, after providing for bad and doubtful debts, the credit company incurred a loss of £1,304,613 in its year to September 30th, 1960, with the result that its balance sheet at that date disclosed not only the loss of all capital and reserves but that its liabilities exceeded assets by some £200,000. He expresses regret that some £725,000 of the loss has for the time being fallen on the preference capital which is all held by institutional investors.

The accounts disclose that the Group's share of the credit company's losses amounted to £332,614. The investment was actually held by the merchant banking subsidiary, S. Japhet & Co Ltd, but following a decision that the Group should guarantee the credit company's engagements, it was made a direct subsidiary and Japhet's holding was transferred at a price which resulted in Japhet having to write off £275,680 against contingencies reserve. The balance of the cost of the investment, £259,113, was completely written off in the Group's books and the accounts give effect to these transactions.

## Absence of Control

How did it happen, questions Sir Nutcombe, that they who prided themselves on backing good management, yet had in their very midst a company incurring bad and doubtful debts to the tune of hundreds of thousands of pounds?

The answer, he states, is simply the absence of a sufficiently well organized system of credit control to prevent the acceptance, under the pressure of competition, of a large volume of business from unreliable people, either as customer or dealer, which led to unbalanced and too rapid expansion, which in its turn overtaxed the resources of the vital collection department. Furthermore, insufficient attention was

given to the production of adequate statistical information, which would have given to the credit company's directors earlier warning of what was taking place.

Sir Nutcombe adds: 'We are fortunate in having secured the services as managing director of Mr H. L. Cadoux-Hudson, A.C.A., who has considerable experience of the hire-purchase industry, and who has recently been advising us in a professional capacity in connection with the credit company's affairs. He, with his staff, is actively dealing with the reduction of overheads and the improvement of the company's methods of operation.'

The final result, Sir Nutcombe concludes, must depend on the adequacy or otherwise of the provisions against doubtful debts and, in this connection, he says, 'we still believe they are sufficient'.

## 'Considerably More'

A POINT on consolidation comes from the accounts of Owen Owen Ltd, the department store company, of Liverpool. Mr Duncan Norman, the chairman, points out that ordinary shareholders' funds this year at £3,188,213, against £3,293,280, are somewhat lower despite the retention in the business of a substantial proportion of the year's profit. This, he explains, is due to the fact that for consolidation purposes, the directors have adopted the book figure of the assets of the Chester store, Richard Jones & Co Ltd, which Owen bought during the year. The effect of including these assets at this figure is that the purchase consideration exceeded the net book value of the assets and liabilities and the difference had been deducted from the accumulated reserves.

Mr Norman says the directors, and their professional consultants, are of the firm opinion that the properties and other assets of the Chester store are worth considerably more than the present book values. In due course current valuation figures will be adopted.

No indication is given, however, as to what 'considerably more' may mean.

## Going Concern

'IN running order' is a common phrase in advertisements. In another context, 'as a going concern' is often seen. Both descriptions are very close in meaning and have similar implications. Mr F. D. O'Brien Newman, new chairman of The Birmingham Railway Carriage & Wagon Co Ltd, refers to the abortive merger talks with Charles Roberts & Co Ltd last year. Shareholders were promised at the time an independent valuation of fixed assets. Mr Newman discloses that the valuation, in fact, amounted to £2,835,522 as compared with the figure of £915,916 in the end-1959 balance sheet. But, he adds, it would be prudent to bear in mind that the valuation was made on the basis of 'a going concern' and for the purpose of the business 'now carried on'.

## THE CHARTERHOUSE GROUP LIMITED AND SUBSIDIARIES

Consolidated Profit and Loss Account for the year ended 11th November, 1960 (See Statement Page 7.) \* Notes to Consolidated Profit and Loss Account

	1959 £	1959 £
<b>Non-banking profits (excluding losses on hire purchase finance)</b>		
Income from industrial and commercial investments ..	680,005	87,618
Income from industrial and commercial investments ..	757,359	367,525
Trading profits (less losses) of industrial and commercial subsidiaries ..	200,828	150,192
Insurance-brokerage profits and other income ..	155,667	405,335
Balance from issues, offers for sale and sundry receipts ..	1,791,859	64,269
<b>Deduct:</b> Management expenses of financial companies, less recoveries ..	207,058	£541,066
<b>Deduct:</b> Bank interest paid by financial companies ..	1,584,801	
<b>Deduct:</b> Total of above profits before taxation ..	56,436	264,529
<b>Deduct:</b> Taxation thereon ..	1,528,365	19,517
<b>Deduct:</b> Taxation thereon ..	735,838	41,966
<b>Deduct:</b> Taxation thereon ..	792,527	2,031
<b>Deduct:</b> Taxation thereon ..	129,721	2,871
<b>Deduct:</b> Taxation thereon ..	662,806	20,941
<b>Amount of above profits attributable to The Charterhouse Group Limited after taxation</b>		
<b>Hire purchase finance losses (profit in 1959)</b>	£	
<b>Deduct:</b> Taxation recoverable (in 1959, payable) ..	1,304,613	622,357
<b>Deduct:</b> Taxation recoverable (in 1959, payable) ..	79,002	128,943
<b>Deduct:</b> Taxation recoverable (in 1959, payable) ..	1,225,591	14,254
<b>Deduct:</b> Taxation recoverable (in 1959, payable) ..	892,977	£765,554
<b>Amount of above profits attributable to The Charterhouse Group Limited after taxation</b>		
<b>Non-banking profit of the group attributable to The Charterhouse Group Limited after taxation</b>	330,192	97,299
<b>Banking profit</b>		
being profit shown by the accounts of S. Japhet & Co. Limited for the year ended 30th September, 1960 after deducting taxation and making a transfer to contingencies reserve out of which reserve provision has been made for any diminution in value of current assets and for the loss on the sale to The Charterhouse Group Limited of shares in the hire purchase finance subsidiary whose trading loss is shown separately above—see paragraphs 2, 3 and 4 of the Directors' Report ..	83,524	8,933
<b>Non-banking profits attributable to The Charterhouse Group Limited and banking profit of S. Japhet &amp; Co. Limited arrived at on the basis indicated, after taxation</b>	413,716	1,196
<b>£281,362 (1959: £757,042) has been dealt with in the accounts of The Charterhouse Group Limited.</b>		1,291
Revenue reserves brought forward from previous year ..	1,789,385	82,187
Movements on revenue reserves, less transfers to capital reserves ..	17,617	19,601
<b>Deduct:</b> Premium on acquisition of shares in hire purchase finance subsidiary written off—see paragraphs 2, 3 and 4 of the Directors' Report ..	2,220,718	(2,301)
<b>Less:</b> Amount written off by S. Japhet & Co. Limited out of contingencies reserve ..	259,113	41,315
<b>Deduct:</b> Dividends of The Charterhouse Group Limited ..	1,961,605	140,802
<b>Revenue reserves carried forward—</b>	379,517	5,474
The Charterhouse Group Limited ..	806,163	3,442
Subsidiaries ..	985,222	10,000
<b>£1,582,088</b>		18,916
		£121,886
		25,418
		53,826
		298,361
		£377,605
		3,750
		56,134
		2,600
		£62,484

\* Not reattributed—Ed.

# 1. Investments In Associated Companies at cost, less amounts written off—

Associated companies are industrial and commercial companies in which financial subsidiaries of The Charterhouse Group Limited have invested in the normal course of business, with in most cases the right to nominate a Director. Subsidiaries not consolidated consist of two companies which are technically subsidiaries by reason of arrears of dividends on preference shares held by a financial subsidiary.

	1959 £
Subsidiaries not Consolidated	
Unquoted shares	160,300
Secured advances	350,000
Unsecured advances	510,300
<b>Associated Companies</b>	
Quoted in Great Britain (Market value £2,532,949—1959 £1,823,192)	
Quoted elsewhere (Market value £587,259—1959 £348,953)	1,353,109
Unquoted Shares	471,982
Secured Advances	2,815,459
Unsecured advances	1,064,922
	1,308,419
	<b>7,013,891</b>
	<b>£7,524,191</b>

In the opinion of the Directors the above investments are in the aggregate worth not less than the amount of £7,524,191 at which they are stated.

2. Statement of Fixed Assets and Net Current Assets is on Page [692].

3. Statement of the Net Assets of S. Japhet & Co. Limited is on Page [692].

4. Share Premium Account

The Charterhouse Group Limited—balance 11th November, 1959	88,077
Subsidiary company—balance 11th November, 1959 less applied against hire purchase finance loss	88,077
	<b>£1,321,728</b>

## 5. Other Capital Reserves

Balance 11th November, 1959	45,076
Add:	
Premium on shares issued by a subsidiary	5,153
Excess of insurance recovery in respect of fixed assets destroyed by fire, over their cost	18,852
Transfer from profit and loss account	15,772
Profit on sale of a subsidiary	12,122
	<b>96,975</b>
Deduct: Formation expenses written off by a subsidiary	2,095
Applied against hire purchase finance loss	5,208
	<b>7,303</b>
Balance 11th November, 1960	<b>£89,672</b>

## 6. Analysis of interests of minority shareholders:—

Industrial and commercial (including £167,000 preference capital—1959, £185,297)	1,068,564
Insurance-broking	4,053
Hire purchase finance (including £75,000 preference capital—1959, £775,000)	126,635
Financial	431,348
	<b>£1,630,600</b>

7. Current assets and liabilities abroad have been expressed in sterling at the exchange rates ruling at the balance sheet dates of the subsidiaries concerned. Other assets abroad have been expressed at the rates ruling on the respective dates of acquisition by subsidiaries.

8. There are contingent liabilities mainly in respect of guarantees amounting to £233,000 (1959, £188,000).

9. Contracts for capital expenditure which relate entirely to industrial and commercial subsidiaries amount to £290,000 (1959, £165,000).

# NON-BANKING COMPANIES

Investments in Associated Companies at cost, less amounts written off:—

	Notes	£
Subsidiaries not consolidated	.. ..	510,300
Others	.. ..	7,013,891
		<b>7,524,191</b>
<b>Fixed Assets and Net Current Assets</b>		
Industrial and commercial subsidiaries	.. ..	5,090,629
Insurance-broking subsidiaries	.. ..	691,924
Hire purchase finance subsidiaries	.. ..	(61,428)
Holding company and financial subsidiaries	.. ..	94,744
		<b>5,815,869</b>
Deduct: Proposed and accrued dividends (less income tax) of The Charterhouse Group Limited	.. ..	173,059
		<b>5,642,810</b>

## NON-BANKING ASSETS LESS CURRENT LIABILITIES

	13,167,001
	<b>1,738,730</b>

## BANKING COMPANY—Net Assets of S. Japhet & Co. Limited

	1,135,964
	<b>1,175,548</b>
	<b>14,658,842</b>
	<b>14,658,842</b>
	<b>14,092,280</b>

Representing—

## CAPITAL AND RESERVES ATTRIBUTABLE TO THE CHARTERHOUSE GROUP LIMITED

Issued Share Capital of The Charterhouse Group Limited	8,589,000
Capital Reserves	
Share premium account	1,409,805
Other	45,076
	<b>1,454,881</b>
	<b>1,582,088</b>

## INTEREST OF THE SHAREHOLDERS OF THE CHARTERHOUSE GROUP LIMITED

	11,582,488
	<b>1,630,600</b>
	<b>£13,213,088</b>

## INTERESTS OF MINORITY SHAREHOLDERS

	<b>£14,092,280</b>
--	--------------------

NUTCOMBE HUME  
C. M. RAIT  
E. H. OWEN

H. K. DOUGLAS  
Secretary

\* Not reproduced—Ed.

1959 £
349,380
110,984
200,000
<b>660,364</b>
<b>740,041</b>
233,975
2,926,278
498,461
1,443,763
<b>5,842,518</b>
<b>£6,502,882</b>

868,354
3,785
936,936
449,939
<b>£2,259,014</b>

**THE CHARTERHOUSE GROUP LIMITED AND SUBSIDIARIES**

**Statement of Fixed Assets and Net Current Assets at 11th November, 1960**  
(Exclusive of S. Japhet & Co. Limited)

	Industrial and commercial subsidiaries 1959		Insurance broking subsidiaries 1959		Hire purchase finance subsidiaries 1959		Holding company and financial subsidiaries 1959	
	£	£	£	£	£	£	£	£
<b>FIXED ASSETS</b> at cost less depreciation July, 1948	1,589,538	1,148,401	39,465	32,500	4,500	106,231	83,305	
Freehold and leasehold property	3,189,745	2,341,089	125,144	112,348	78,554	174,859	154,082	
Plant, furniture and motor vehicles .. .. .	4,779,283	3,489,490	164,609	144,868	83,054	281,090	237,387	
								6,263,410
Aggregate depreciation and amortisation	2,12,973	165,556	7,228	7,228	155	5,036	3,911	
Freehold and leasehold property	1,643,428	1,216,523	77,861	72,962	9,878	73,666	63,117	
Plant, furniture and motor vehicles .. .. .	1,856,401	1,382,079	85,089	80,190	9,978	78,702	67,028	
								4,924,531
<b>INVESTMENTS</b> at cost, less amounts written off	2,972,882	2,107,411	79,520	64,678	73,076	202,388	170,359	
Trade .. .. .	6,054	6,495	14,443	19,447	—	—	—	
Other—quoted .. .. .	13,750	1,071	8,004	7,668	1,449	90,247	14,364	
Market value .. .. .	(13,125)	(1,874)	(25,285)	(20,247)	(1,998)	(111,985)	(7,018)	
Unquoted .. .. .	16,600	5,800	27,285	27,621	39,773	4,913	4,913	
	36,404	13,366	49,732	54,736	41,222	95,160	19,277	
<b>CURRENT ASSETS</b>								
Stocks and work in progress at lower of cost and net realisable value, less payments on account	3,823,111	2,635,688	—	—	3,976	—	—	
Debtors under hire purchase and similar agreements, less £883,142 (1959, £586,410) finance charges carried forward	—	—	—	—	—	—	—	
Other debtors and prepayments	3,168,040	2,143,050	2,759,282	3,035,612	4,582,950	178,663	46,149	
Taxation recoverable, less payable	—	—	100,125	100,000	103,188	105,724	22,650	
Tax reserve certificates .. .. .	—	50,000	105,000	226,400	—	—	—	
Deposits at call and short term loans .. .. .	25	40,000	208,346	475,398	—	389	21,863	
Cash and bank balances—	223,618	85,298	276,503	512,550	47,743	99,834	186,156	
With S. Japhet & Co. Limited ..	7,214,794	4,954,036	3,449,256	4,349,940	4,861,490	384,610	276,818	
Other .. .. .	—	—	—	—	—	—	—	
<b>CURRENT LIABILITIES</b>								
Bank overdrafts of subsidiary companies—								
With S. Japhet & Co. Limited ..	71,554	44,160	—	—	101,820	—	—	
Other (£1,855,910 secured) ..	1,855,846	839,137	—	—	1,968,352	506,374	177,765	
Bills payable and acceptance credits	—	—	—	—	1,825,000	—	—	
Loans on deposit .. .. .	553,589	557,141	118,852	17,237	1,943,261	—	—	
Current tax .. .. .	2,602,462	1,774,283	2,767,732	3,594,497	17,831	81,040	40,379	
Creditors and accrued charges ..	5,083,451	3,214,721	2,886,584	3,711,734	227,432	587,414	158,144	
	2,131,343	1,739,315	562,672	638,206	1,111,929	(202,804)	118,674	
<b>NET CURRENT ASSETS</b> ..								
	£3,808,490	£3,840,092	£691,924	£757,620	£1,226,227	£94,744	£308,310	
<b>TOTAL FIXED ASSETS AND NET CURRENT ASSETS</b>								
before deducting future taxation and increase of minority share ..								

**FIXED ASSETS** at cost less depreciation July, 1948

Acq't or net book amount at 1st July, 1948  
Freehold and leasehold property  
Plant, furniture and motor vehicles .. .. .

Aggregate depreciation and amortisation  
Freehold and leasehold property  
Plant, furniture and motor vehicles .. .. .

**INVESTMENTS** at cost, less amounts written off  
Trade .. .. .  
Other—quoted .. .. .  
Market value .. .. .  
Unquoted .. .. .

**CURRENT ASSETS**  
Stocks and work in progress at lower of cost and net realisable value, less payments on account  
Debtors under hire purchase and similar agreements, less £883,142 (1959, £586,410) finance charges carried forward  
Other debtors and prepayments  
Taxation recoverable, less payable  
Tax reserve certificates .. .. .  
Deposits at call and short term loans .. .. .  
Cash and bank balances—  
With S. Japhet & Co. Limited ..  
Other .. .. .

**CURRENT LIABILITIES**  
Bank overdrafts of subsidiary companies—  
With S. Japhet & Co. Limited ..  
Other (£1,855,910 secured) ..  
Bills payable and acceptance credits  
Loans on deposit .. .. .  
Current tax .. .. .  
Creditors and accrued charges ..

**NET CURRENT ASSETS** ..  
**TOTAL FIXED ASSETS AND NET CURRENT ASSETS**  
before deducting future taxation and increase of minority share ..

	1959	£	£	£	1959
<b>CURRENT ASSETS</b>					
Cash in hand and at bankers .. .. .	472,480	963,410	5,300,000	472,480	
Cash at call and short notice .. .. .	3,650,000	—	—	3,650,000	
				4,122,480	
Bills receivable—					
British and other Government Treasury bills	3,315,147	1,121,791	3,802,740	3,315,147	
Other bills .. .. .	1,125,661	—	—	1,125,661	
				4,428,808	
Investments—					
Quoted—individually at lower of cost or market value, less reserve—					
British Government securities .. .. .	1,503,696	2,052,296	—	1,503,696	
Others—in Great Britain .. .. .	282,152	521,603	—	282,152	
abroad .. .. .	490,623	487,968	—	490,623	
Unquoted—individually at lower of cost or Directors' valuation .. .. .	20,066	366,818	—	20,066	
				1,376,389	
Advances to customers and other accounts ..	3,797,313	6,228,932	—	3,797,313	
Liability of customers for acceptances, per contra .. .. .	3,721,985	4,190,537	—	3,721,985	
				25,036,095	
<b>Deduct: LIABILITIES</b>					
Current deposit and other accounts, provisions and contingencies reserve .. .. .	13,589,665	19,175,318	—	13,589,665	
Acceptances for customers, per contra .. .. .	3,721,985	4,190,537	—	3,721,985	
				23,365,855	
<b>SUBSIDIARIES, shares at cost</b>					
	1,670,240	1,670,240	—	1,670,240	
	651,433	68,490	—	651,433	
				1,738,730	
<b>NET ASSETS</b> after deducting inner reserves					
Less: Cost of shares in hire purchase finance subsidiary whose fixed assets and net current assets (including those attributable to minority shareholders) are shown separately in the statement [adjoining]—see paragraphs 2, 3 and 4 of the Directors' report [not reproduced]					
				582,942	
<b>NET BANKING ASSETS</b> after deducting inner reserves (and in 1959 exclusive of cost of shares in hire purchase finance subsidiary) .. .. .				£1,738,730	

**Notes:**

- There are commitments covered by customers' engagements in respect of confirmed credits and guarantees, etc. amounting to £59,311.
- There are in the ordinary course of business forward contracts for purchases £16,191,491 and sales £1,688,005 of foreign exchange and commodities.
- S. Japhet & Co. Limited is a banking company; under the Companies Act, 1948, such companies are exempted from showing the aggregate amount of their reserves, the movements therein and increase of minority share.



Unfortunately, he points out, their particular branch of industry was no longer a profitable commercial activity and to that extent 'the valuation must be regarded with considerable reserve'.

The company has recently bought itself out of a contract with London Transport accepted in September 1960 for 450 carriages. The penalty payment, 'while substantial, is materially lower than the losses which otherwise would have been incurred'.

### Issues by Tender

THE London Stock Exchange Council has decided to allow the offer of industrial equities for sale by tender. Kleinwort Benson Ltd, the issuing house, will make the first offer by this method next week. Safeguards are being provided to ensure that a sufficient distribution will be made by the new method and at the same time that no allotment will be made at a price excessively high in relation to the subsequent market price.

Applications will remain in sealed envelopes until after the closing of the lists and the issuing house reserves the right to present cheques and to refuse multiple applications. This is essentially a new method of inviting subscriptions for an offer for sale and should there be further applications of a similar kind they will be carefully considered by the Council in the light of experience gained in this case.

Recent offers for sale have been absurdly over-subscribed and offers have come to result in little more than lucky dips with allotment of shares decided by ballot. Last week there was an extreme example of an offer of £120,000 worth of shares in a relatively small Belfast motor distributing company attracting application money of close on £9½ million.

Offer for sale by tender will at least mean that new issue subscribers will have to read the prospectus and pitch their tenders accordingly. The new system will not prevent new issue 'staggering' but it should go some way towards keeping this type of speculation in some sort of bounds.

## CITY NOTES

DOUBTS on balance of payments and gold and currency reserve points and on the prospective level of industrial earnings have made for a decided change in stock-market sentiment. The gilt-edged market has been under pressure, reflecting largely the weakness of sterling in the foreign exchange market.

Industrial equities have become unsettled following a succession of company statements drawing attention to the narrowing of industrial profit margins, the current and prospective increase in competition—particularly from the aspect of possible entry into the European Common Market—and the prospect of a considerably slower rate of industrial growth, in money terms, over the next few years.

Investors, who have taken growth as a matter of course over the past ten years, are having to face up to a set of new factors. Although faith in equities as an inflation cure-all will die hard and need not, in fact, die at all, a reappraisal of equity prospects seems overdue. Particularly is that so when share prices seem to be discounting prospects considerably more than six months ahead, the period that the market is generally supposed to discount.

The present irregular down trend may now be beginning to discount balance of payment difficulties in the autumn.

### RATES AND PRICES

Closing prices, Wednesday, May 31st, 1961

**Tax Reserve Certificates:** interest rate (26.11.60) 3%

#### Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

#### Treasury Bills

Mar. 24	£4 9s 8·46d%	April 28	£4 8s 1·71d%
Mar. 31	£4 9s 8·41d%	May 5	£4 7s 4·27d%
April 7	£4 8s 8·68d%	May 12	£4 6s 5·04d%
April 14	£4 9s 7·69d%	May 19	£4 8s 3·18d%
April 21	£4 9s 9·01d%	May 26	£4 8s 8·74d%

#### Money Rates

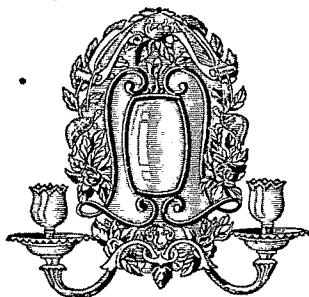
Day to day	3½-4½%	<b>Bank Bills</b>	
7 days	4½-4½%	2 months	4½-4½%
<b>Fine Trade Bills</b>		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

#### Foreign Exchanges

New York	2·79½	Frankfurt	11·08½
Montreal	2·75½	Milan	1731½-2
Amsterdam	10·02½	Oslo	19·99½-20·00½
Brussels	139·56½-57½	Paris	13·67½-7
Copenhagen	19·34½-8	Zürich	12·08½-2

#### Gilt-edged (revised List)

Consols 4%	63½	Funding 3% 59-69	81 7½
Consols 2½%	41 1½	Savings 3% 60-70	79
Conv'n 5½% 1974	93½xd	Savings 3% 65-75	71 1½
Conversion 5% 1971	92 1½	Savings 2½% 64-67	84 1½
Conversion 3½% 1969	84 1½	Treasury 5½% 2008-12	90 1½
Conversion 3½%	55½	Treasury 5% 86-89	86 1½
Exchequer 5½% 1966	90 1½	Treasury 3½% 77-80	71½xd
Funding 5½% 82-84	96½	Treasury 3½% 79-81	71 1½
Funding 4% 60-90	87½	Treasury 2½%	40½
Funding 3½% 99-04	62 1½	Victory 4%	97½
Funding 3% 66-68	83 1½	War Loan 3½%	55 1½



# THE ACCOUNTANT ANNUAL AWARDS FOR 1961

Presentations by The Lord Mayor of London

*The Accountant* Annual Awards for 1961 for company reports and accounts were presented by the Rt. Hon. The Lord Mayor of London, Alderman Sir Bernard Waley-Cohen, at the Mansion House last Tuesday, in the presence of a large and distinguished company representing the City, the professions, commerce and industry. The Lord Mayor was accompanied by the Lady Mayoress, and by Mr Sheriff A. K. Kirk and Mrs Kirk.

Mr Percy F. Hughes, Editor-in-Chief of *The Accountant*, presided, and also on the platform were the representatives of the winning companies, Mr Sydney Barratt, B.A., Chairman of Albright & Wilson Ltd, and Mr D. J. T. Lawman, assistant managing director of The Prestige Group Ltd, together with Mr S. J. Pears, F.C.A., President, The Institute of Chartered Accountants in England and Wales; Mr G. L. Barker, F.A.C.C.A., President, The

Association of Certified and Corporate Accountants; Mr A. L. A. West, O.B.E., F.I.M.T.A., President, The Institute of Municipal Treasurers and Accountants; Mr W. S. Risk, B.COM., C.A., F.C.W.A., President, The Institute of Cost and Works Accountants; Mr K. W. Mackinnon, M.B.E., T.D., Q.C., Chairman of the Panel of Judges of *The Accountant* Annual Awards, and the following members of the Panel; Mr A. S. H. Dicker, M.B.E., F.C.A.; Mr C. D. Gairdner, C.A.; Mr A. W. Giles, M.B.E., M.A., C.A.; Mr Donald V. House, F.C.A.; Mr J. A. Hunter, M.B.E., T.D.; The Rt. Hon. Lord Latham, J.P., F.A.C.C.A.; Mr Ian T. Morrow, C.A., F.C.W.A.; Sir Richard Yeabsley, C.B.E., F.C.A.; Mr Arthur E. Webb, Editor of *The Accountant*; and Mr Peter Chapman, Secretary of *The Accountant* Annual Awards.

The names of those who accepted invitations appear on other pages.

## The Chairman's Address

Opening the proceedings, Mr Percy F. Hughes said:

"This is the eighth occasion on which *The Accountant* Annual Awards have been presented, and I am delighted to see so many old friends who have found it possible to be present with us on this occasion.

"To you My Lord Mayor I would express my very grateful thanks for your kindness in making available to us your official residence and particularly for consenting to present the Awards today. We also appreciate very much the fact that the Lady Mayoress has found it possible to be present.

"The interest shown in *The Accountant* Annual Awards continues undiminished. The keen support that we have always had from the various professional bodies is very much appreciated and I am delighted that on this occasion it has been possible for Mr S. J. Pears, President of The Institute of Chartered Accountants in England and Wales, Mr G. L. Barker, President of The Association of Certified and Corporate Accountants, Mr A. L. A. West, President of The Institute of Municipal Treasurers and Accountants, and Mr W. S. Risk, President of The Institute of Cost and Works Accountants, to be present with us here today.

"As the number of accounts submitted continues to grow, so does the work of our Panel. We have been most fortunate that this year we have had the services once again of Mr Kenneth Mackinnon, Q.C., and of Lord Latham, Mr Donald V. House, Mr A. S. H. Dicker, Mr C. D. Gairdner, Mr A. W. Giles, Mr Ian T. Morrow and Sir Richard Yeabsley who, with Mr

Arthur Webb, all served last year and some have helped us for many years past. This year they have been joined by Mr J. A. Hunter and I would like to say to them all how deeply grateful we of *The Accountant* are to them for all that they do to ensure the success of *The Accountant* Annual Awards. Not only are we grateful to them – the whole business community is indebted to them for their work.

"Many people have remarked upon the improvement which has become apparent in the form in which the accounts of our public companies have been presented since *The Accountant* Annual Awards were first introduced by Ronald Staples, and my friends who have served on the Panel both this year and in previous years are, I am sure, entitled to take a great deal of credit for this fact.

"The accounts of a company reflect its financial position at the date to which they are made up. The work involved in their preparation calls for much technical ability. It also calls for much care and foresight in relation to form and layout, and colour plays its part. I would congratulate all those who have been responsible for the preparation of the large number of accounts which have been submitted for the consideration of our Panel this year, whether successful or unsuccessful. As most of you will know, one Award is presented for the accounts of large companies and the other for the accounts of smaller companies, but there is no other distinction to be drawn between them, they being regarded as of equal merit.



'My Lord Mayor, I now invite you to address us and then to present the Awards. The Award to Albright & Wilson Ltd will be received by Mr Sydney Barratt, the Chairman of that company, and the Award to The

Prestige Group Ltd will be received by Mr D. J. T. Lawman, the assistant managing director of the company, as the Chairman is in the United States of America.' (*Applause.*)

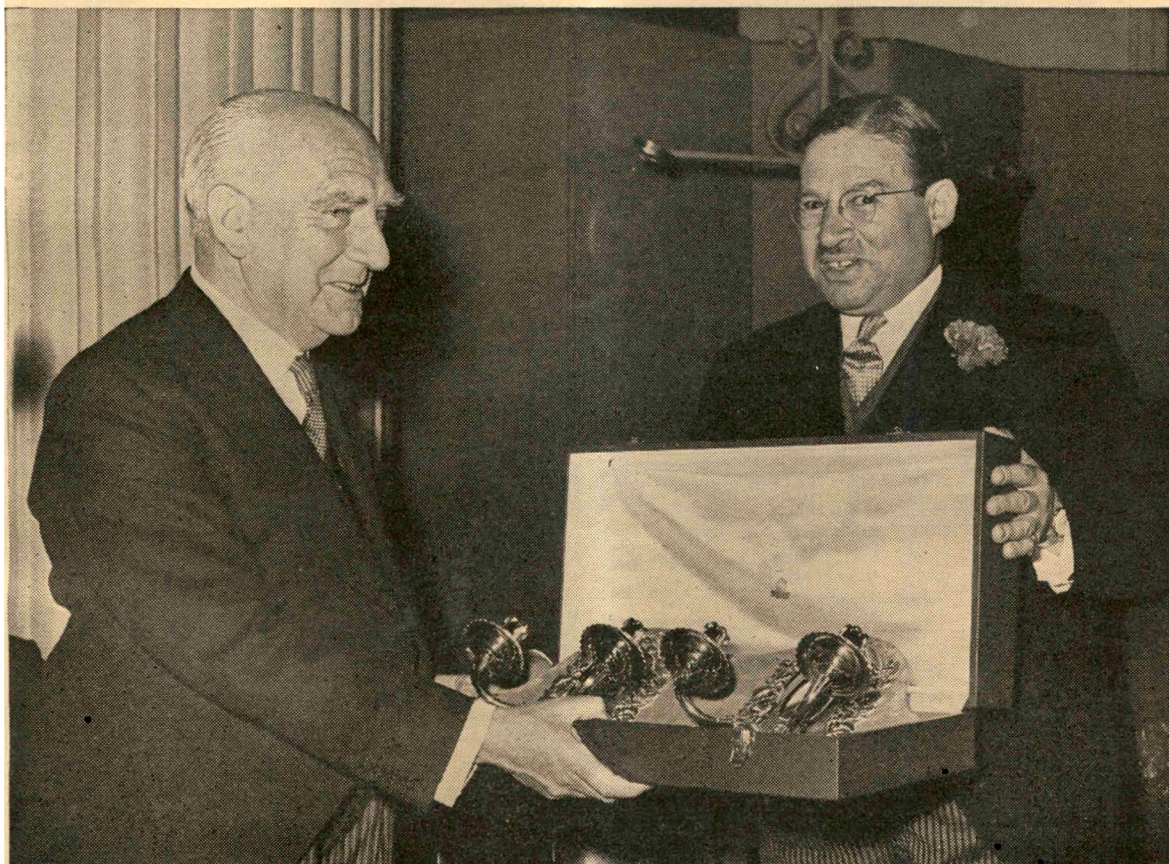
## The Lord Mayor of London

In presenting the Awards, the Lord Mayor said:

'I am much impressed by the large number of ladies present today. It is indeed difficult to judge how many men are here because a bald pate is not so distinctive as a scarlet flower. (*Laughter.*) I have been reading that there are more and more ladies prominent in the lists of shareholders of companies. My experience is that when accounts come in I suggest to my wife that she will find all the information therein, but she says "I cannot wade through all that. Can you tell me whether they have done better or worse?" (*Laughter.*) I think that is an instinctive reaction with most of us and for that reason I think it is highly desirable that in the accounts that are circulated there should be the fullest possible information in a fairly simple form, and it is very nice to have early in the proceedings a slick and clear summary showing whether the company has done better or worse and a statement that further information can be obtained inside.

'That, I think, could be provided most usefully in very clear visual form, not very technical as some companies do, but by producing a picture which is readily absorbed. I am not in favour of slick photographs of the board sitting round a table as though they were hard at work. I do not think that some of the pictures one sees help one very much. As a shareholder I don't care for flashy pictures; I prefer a down-to-earth statement readily absorbed by the simple person or the busy person who has no time to wade through a mass of statistics.

'I now pass on to congratulate the successful competitors in this competition. It is to me a rather interesting coincidence that I should have personal ties with the Chairman of the Panel as the Waley-Cohens and Mackinnons are in the same house at school. I do not know what his wife will tell his son about the Waley-Cohens when we meet there next Saturday or what we may say about the Mackinnons. (*Laughter.*) Then I sat under Mr Barratt on the board of governors at



Mr Sydney Barratt, B.A., chairman of Albright & Wilson Ltd (*left*), receives his company's Award from the Lord Mayor.





The Lord Mayor presents the Award for The Prestige Group Ltd to Mr D. J. T. Lawman, assistant managing director of the company.

Clifton College. I know what a formidable force he is and how he is always able to get to the root of the matter. It is not surprising to me to see him presiding over such a distinguished company.

Coming to the Prestige Group, I can only refer to the fact that shortly before I took office as Lord Mayor there was a very odd photograph in the *Daily Mail* of me doing some carving. I was in my shirt-

sleeves and the caption contained some very curious remarks which I was said to have made. However, I can assure Mr Lawman that it was a Prestige knife that I was using. (*Laughter.*)

'I congratulate *The Accountant* on getting their Award scheme so well established. I am delighted to see such a large company here today and I sincerely congratulate the successful competitors. (*Applause.*)

## Acknowledgements of the Presentations

Acknowledging the presentation made to his company, Mr Sydney Barratt, B.A., chairman of Albright & Wilson Ltd, said:

'The news that Albright & Wilson had been chosen to receive one of *The Accountant* Awards for this year has been the source of much pride and pleasure to me and to my colleagues, and there is a widespread appreciation throughout our organization of the honour conferred on us by this Award.

'It is now twelve years since our company first published its annual report, and during the years since this prentice effort we have studied to improve our standard of presentation and to include more relevant information in appropriate form.

'*The Accountant* Awards had their inception seven

years ago, and we have found in them not only an incentive but indeed a positive aid in achieving our objectives through the authoritative judgments they have provided on contemporary practice. We have been encouraged to overcome any tendency towards undue conservatism in the publication of information and to pay increasing attention to the provision in convenient form of the information required by the general investing public of today. I am quite sure that our experience in this has been widely shared. The unique service achieved by the institution of these Awards has been to stimulate improvement in the happiest possible way, without imposing burdens or dictating conditions.

'This generally recognized achievement of the competition has made selection for an Award a most memorable event for Albright & Wilson and one of



which they will be happily reminded in the future by the presence in their boardroom of this fine example of the silversmith's craft which I have just received on their behalf. It has been a great personal pleasure for me to have received this from you, my Lord Mayor, in such notable company and in this historic place.

'While it falls to me by virtue of age and position personally to accept this Award, this audience, above all others, has no illusions about the manner in which our annual report must have been produced, and is conscious of the earnest discussions, the weighing of words, the writing and re-writing, the anxieties of print and misprint and the bitter-sweet of constructive criticisms which are necessary ingredients in the preparation of this brief and apparently prosaic document.

'The credit for the Award must chiefly pass to our Treasurer, Mr A. V. Sherwood; Mr K. A. Ward and Mr F. H. C. Podger of his department; to Mr C. N. Wilson our Secretary, and to the other members of our staff responsible for the design of the report.

'On their behalf I express once again our appreciation and gratitude to *The Accountant* for organizing this competition and today's ceremony, and our thanks to you, my Lord Mayor, for making the presentation.' (Applause.)

Mr D. J. T. Lawman, assistant managing director of The Prestige Group Ltd, said:

'I should like first all of to say how pleased and proud we are to receive one of *The Accountant* Awards. We have for some years tried to present our shareholders with clear and informative reports and it is very flattering that we should have been selected by this distinguished Panel. I would like to pay tribute to the

members of the company who have worked on these accounts under the leadership of Mr J. Davidson, our controller, and to our auditors, Price Waterhouse & Co, who have always been unsparing in their help and encouragement to achieve high standards.

'Speaking of high standards, it may amuse you to know that after the Awards were announced I received, among a number of letters of congratulation, a letter from one of the partners of Price Waterhouse who ended his letter by asking, "If you are the saints, what must the sinners be like?" Following the best practice in dealing with auditors, I allowed him to have the last word and took it as a spur to greater efforts next time. But whether we are saints or sinners, I am sure that the standard of company accounts has been very greatly raised since the Awards were started and that all companies and shareholders owe a debt to *The Accountant* and to the financial Press for their encouragement in this direction. For our part, we have tried to make our report and accounts sufficiently full to satisfy our most knowledgeable shareholders, sufficiently simple to be intelligible to the layman and sufficiently detailed to allow them to be interpreted to others by the financial commentators - and, what is sometimes overlooked, to present a reasonably complete story to the new shareholder who has not had access to previous years' reports.

'I am very sorry that Mr Arthur Keating, the chairman of the company, who is in America, is unable to be present to accept the Award in person but he has asked me to say how delighted he is that his company should have won this prize and how sorry he is not to be here today. On his behalf I would like to thank you, my Lord Mayor, for the honour you have done us in presenting us with this Award.' (Applause.)



Mr K. W. Mackinnon, M.B.E., T.D., Q.C., chairman of the Panel of Judges, and Mrs Mackinnon (left), with the Rt. Hon. Lord Latham, J.P., F.A.C.C.A., a member of the Panel of Judges, and Lady Latham.





In the Egyptian Hall. A view of the platform party and a section of the audience.



Mr C. D. Gaidner, C.A., a member of the Panel of Judges (*centre*), with Mrs Gaidner, and Mr J. A. Hunter, M.B.E., T.D., also a member of the Panel.



## The Chairman of the Panel of Judges

Addressing the company, Mr K. W. Mackinnon, B.E., T.D., Q.C., Chairman of the Panel of Judges, said:

At the outset I should like to congratulate the winners on their victory and to thank my colleagues on the Panel for their very considerable work. Each year the task of selection becomes more difficult. From over 100 entries, the Panel have had to consider a large number which survived the preliminary screening and the standard has this year continued to rise.

I suppose – being in a sense in the role of a headmaster on speech day – it is reasonable to express some general conclusion upon the year's work! I propose to do so.

We, on the Panel, must emphasize the importance of the particular aspect of companies' annual reports. Namely, the provision of adequate information relating to their affairs.

May I illustrate by some examples. We should like to see all companies stating the group activities and showing their relative importance. We should like to see them indicate progress during the year under review in historical perspective by relation to comparative figures for previous years. We should like to see, whenever possible, a reasoned appreciation of the future.

There are still many companies that fall behind in

this matter. Indeed, in a financial world where animals such as "bears", "bulls" and even "stags" at bay are commonplace it might not be inappropriate to call such companies "gazelles", to reflect their shyness.

'Directors are apt to rest content on a view that shareholders will not read or, if they do, will not understand the annual accounts of their company. This is a defeatist line and the very negation of a course of progress by which to educate rather than despair of shareholders. Furthermore, information provided is today distilled for a wide public alike by stockbrokers and other financial advisers and by the financial Press.

'We on the Panel confidently believe that *The Accountant* Awards will materially help in the future to achieve in this field of company reporting the higher standard which the Awards have already achieved in the presentation of accounts.' (Applause.)

### Welcome to the Guests

Mr Arthur E. Webb, Editor of *The Accountant*, extended a welcome to the guests, mentioning in particular those from overseas – from Australia, South Africa and the United States. He went on to express pleasure at the presence of the ladies who added that measure of colour and charm which, as the Lord Mayor had remarked, was such a distinctive feature of the occasion.

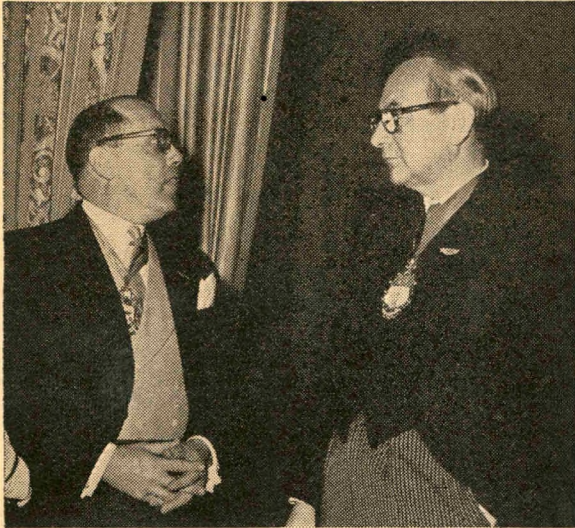


Richard Yeabsley, C.B.E., F.C.A., a member of the Panel of Judges (left), and Lady Yeabsley, with Mr A. S. H. Dicker, M.B.E., F.C.A., also a member of the Panel, and Mrs Dicker.



## Guests at the Presentation Ceremony

MR WILFRID G. ADAMS, F.C.A., and MRS ADAMS  
 MR S. W. ALEXANDER, *Editor, City Press*, and MRS ALEXANDER  
 MISS E. B. ALLEN, *Director, Taxation Publishing Co Limited*  
 MR W. M. ALLEN, B.A., *an Under-Secretary, The Institute of Chartered Accountants in England and Wales*, and MRS ALLEN  
 MR G. F. ANSELL, F.C.A., and MRS ANSELL  
 MR G. R. APPELYARD, F.C.A., *Chairman, London and District Society of Chartered Accountants*



MR S. J. Pears, F.C.A., *President, The Institute of Chartered Accountants in England and Wales (right)*, with Mr W. S. Risk, B.COM., C.A., F.C.W.A., *President, The Institute of Cost and Works Accountants.*

MR P. LIVINGSTONE ARMSTRONG, F.C.A.  
 MR W. ARMSTRONG, C.B., M.V.O., *Third Secretary, H.M. Treasury, and Treasury Officer of Accounts*, and MRS ARMSTRONG  
 MR ALGERNON ASPREY and MRS ASPREY  
 MR S. E. BANKS, and MRS BANKS  
 MR PAUL BAREAU, *Editor, The Statist*  
 MR A. A. BARGER, F.C.A., and MRS BARGER  
 MR G. L. BARKER, F.A.C.C.A., *President, The Association of Certified and Corporate Accountants*, and MRS BARKER  
 MR SYDNEY BARRATT, B.A., *Chairman, Albright and Wilson Limited*, and MRS BARRATT  
 MR W. L. BARROWS, LL.D., J.P., F.C.A., and MRS BARROWS  
 SIR HAROLD BARTON, F.C.A., and LADY BARTON  
 PROFESSOR W. T. BAXTER, B.COM., C.A., and MRS BAXTER  
 MR T. A. HAMILTON BAYNES, M.A., F.C.A., and MRS HAMILTON BAYNES  
 MR R. T. BELL, *an Assistant Secretary, The Association of Certified and Corporate Accountants*  
 SIR HAROLD BELLMAN, D.L., LL.D., J.P., *Chairman, Abbey National Building Society*  
 MR H. A. BENSON, C.B.E., F.C.A., and MRS BENSON  
 MR RICHARD BERENS, *The Daily Telegraph*  
 MR STANLEY J. D. BERGER, O.B.E., M.C., F.C.I.S., and MRS BERGER  
 MR C. C. BIGG, F.C.A., and MRS BIGG  
 MR W. W. BIGG, F.C.A., and MRS BIGG

MR ROLAND BIRD, *Deputy Editor, The Economist*  
 MR T. BOLTON, A.C.I.S.  
 MR F. BOOTH, C.A., *Chairman, The Association of Scottish Chartered Accountants in London*, and MRS BOOTH  
 MR ROY BORNEMAN, Q.C., and MRS BORNEMAN  
 MR CHRISTOPHER BOSTOCK, M.A., F.C.A., and MRS BOSTOCK  
 MRS PADDIE BROSNAN, *Editor, The British Manufacturer*  
 MISS V. M. BURTON, F.C.A.  
 MR M. C. BUTTFIELD, C.M.G.  
 MR R. A. W. CAINE, F.C.A.  
 MR K. S. CARMICHAEL, A.C.A., and MRS CARMICHAEL  
 MR I. V. CARREL, and MRS CARREL  
 SIR WILLIAM CARRINGTON, F.C.A., and LADY CARRINGTON  
 MR R. J. CARTER, B.COM., F.C.A., *Secretary, The Chartered Accountant Students' Society of London*, and MRS CARTER  
 MR COLIN S. W. CASSIE, *The Accountant*  
 MRS PETER CHAPMAN  
 MR F. W. CHARLES, C.B.E., F.C.A., and MRS CHARLES  
 COLONEL RANDOLPH A. CHELL, D.S.O., O.B.E., M.C., and MRS CHELL  
 MR L. F. CHEYNEY, F.I.M.T.A., F.S.A.A., *Secretary, The Institute of Municipal Treasurers and Accountants*  
 MR A. F. CHICK, F.C.A., and MRS CHICK  
 MR BRIAN O. CHILVER, A.C.A., and MRS CHILVER  
 MR J. C. CHRISTOPHERSON, B.A., *Publicity Director, Albright and Wilson Limited*  
 MR WILLIAM CLARK, M.P., F.A.C.C.A.  
 MR DOUGLAS A. CLARKE, LL.B., F.C.A., and MRS CLARKE  
 MR LEONARD CLEAVER, M.P., J.P., F.C.A.  
 MR A. C. COATEN, and MRS COATEN  
 MR J. W. G. COCKE, T.D., M.A., F.C.A., *Secretary, London and District Society of Chartered Accountants*, and MRS COCKE  
 MR R. F. COLLIN-SMITH

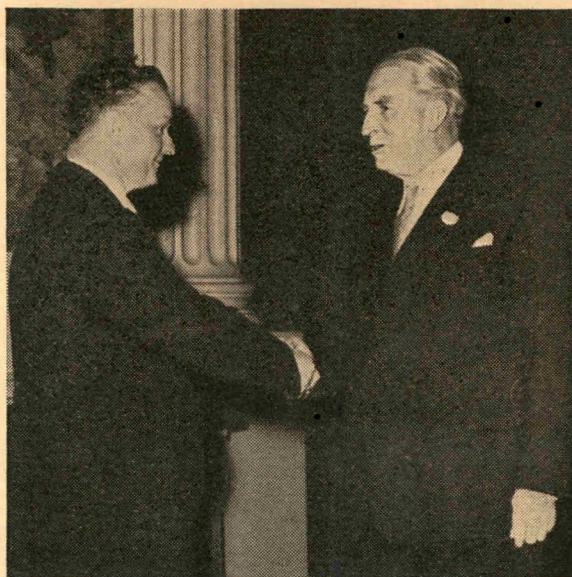


The Lord Mayor with Mr K. W. Mackinnon, M.B.E., T.D., Q.C., *chairman of the Panel of Judges.*





Mr Sydney Barratt, B.A., chairman of Albright & Wilson Ltd, with Mrs Barratt.



Sir Edward Norman, Chief Inspector of Taxes, Inland Revenue, being received by Mr Percy F. Hughes, Editor-in-Chief, *The Accountant*.

MR N. H. COLLINGS, B.SC., A.R.I.C., *Publicity Controller, Albright and Wilson Limited*, and MRS COLLINGS

MR F. CUTHBERT COLLINGWOOD, M.B., CH.B., M.R.C.S., L.R.C.P., D.T.H. and H., and DR SYLVIA COLLINGWOOD, M.B., CH.B.

MR EDMUND COMPTON, K.B.E., C.B., M.A., *Comptroller and Auditor-General, H.M. Treasury*, and LADY COMPTON

MR H. SIMPSON COOK, F.C.I.S., and MRS SIMPSON COOK

MR W. H. R. COOK, and MRS COOK

MR S. V. P. CORNWELL, M.C., M.A., F.C.A., and MRS CORNWELL

MR J. L. COUSINS, F.C.G.S., *Secretary, The Institute of Office Management*, and MRS COUSINS

MR R. GORDON CUMMINGS, F.C.A.

MRS M. CUNNINGHAM

MR J. W. CUSACK, C.M.G., O.B.E., and MRS CUSACK

MR C. R. M. DAVIDSON, F.A.C.G.A., *an Assistant Secretary, The Association of Certified and Corporate Accountants*, and MRS DAVIDSON

MR J. DAVIDSON, C.A., *Secretary, The Prestige Group Limited*, and MRS DAVIDSON

MR J. O. DAVIES, F.C.A., A.C.W.A., *European Regional Director, The Institute of Internal Auditors*, and MRS DAVIES

MR T. B. DEGENHARDT, M.A., A.C.I.S., *an Assistant Secretary, The Institute of Cost and Works Accountants*

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MR D. N. DOW, B.COM., C.A., A.C.W.A., A.M.I.A.

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MR W. F. EDWARDS, F.C.A., and MRS EDWARDS

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MR R. E. FRYER

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MR JOHN GODFREY, M.A., F.C.A., and MRS GODFREY

MR W. GOOLD, *The Financial Times*

MR G. G. G. GOULT, F.C.A., and MRS GOULT

MR P. F. GRANGER, F.C.A., *Vice-President, The Institute of Chartered Accountants in England and Wales*, and MRS GRANGER

MR J. D. GREEN, F.C.A., and MRS GREEN

MR E. K. GROSS, F.C.W.A., F.B.I., *Chairman, The Institute of Book-keepers*, and MRS GROSS

MR J. H. GUNLAKE, C.B.E., F.S.S., F.I.S., *President, The Institute of Actuaries*

MISS E. HALL, *Gee & Co (Publishers) Limited*

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MR J. E. HARRIS, B.COM., F.A.C.G.A., *Immediate Past President, The Association of Certified and Corporate Accountants*

MR M. R. HARRIS, F.C.A., and MRS HARRIS

MR JAMES HART



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 SIR HAROLD HOWITT, G.B.E., D.C.L., D.S.O., M.C., J.P., F.C.A.  
 MRS PERCY F. HUGHES



Mr Arthur E. Webb, Editor, *The Accountant*, greets Sir Edmund Compton, K.B.E., C.B., M.A., Comptroller and Auditor-General, H.M. Treasury, watched by Mr Percy F. Hughes, Editor-in-Chief, *The Accountant*.

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 MRS F. C. MILLER, *Director, Gee & Co (Publishers) Limited*, and Mr G. MILLER  
 THE REV. R. K. MILLER, M.A., and MRS MILLER  
 THE RT. HON. LORD MILNE, B.A., C.A., and LADY MILNE  
 MR DAVID MOATE, A.C.A., *President, The National Association of Investment Clubs*  
 MR R. W. MOON, B.LITT., F.C.A.  
 MR HENRY R. MOORE, M.A., F.C.A., and MRS MOORE  
 MR IAN T. MORROW, C.A., F.C.W.A., and MRS MORROW  
 MR KENNETH S. MOST, LL.B., F.C.A., and MRS MOST  
 MR G. W. MOYSE, F.C.A., and MRS MOYSE  
 MR G. W. MURPHY, B.A.(COM.), F.C.A., and MRS MURPHY  
 MR HUGH MURPHY, *Director, The Prestige Group Limited*, and MRS MURPHY  
 MR N. E. MUSTOE, Q.C., and MRS MUSTOE  
 MR BERTRAM NELSON, C.B.E., J.P., F.C.A.  
 MR L. F. NELSON, *Assistant Secretary, The Institute of Bankers*  
 MR R. G. H. NELSON, F.C.A., F.C.W.A., and MRS NELSON  
 MR H. T. NICHOLSON, F.C.A., and MRS NICHOLSON  
 SIR EDWARD NORMAN, *Chief Inspector of Taxes, Inland Revenue*, and LADY NORMAN  
 MR L. J. H. NOYES, B.Sc.(ECON.), F.C.A., *Secretary, Taxation and Research Committee, The Institute of Chartered Accountants in England and Wales*, and MRS NOYES  
 MR F. C. OSBOURN, M.B.E., B.A., LL.B., *Secretary, The Association of Certified and Corporate Accountants*, and MRS OSBOURN  
 MR D. O'SHEA  
 MR M. G. PARSONS, F.C.A., and MRS PARSONS  
 MR J. T. PATTERSON, F.C.A., and MRS PATTERSON  
 MR S. J. PEARS, F.C.A., *President, The Institute of Chartered Accountants in England and Wales*, and MRS PEARS  
 MR ROY PETERS, *Editor, The Stock Exchange Gazette*, and MRS PETERS  
 MR N. D. PHAROAH, *Manager, Chancery Lane Branch, Barclays Bank Limited*, and MRS PHAROAH  
 MR G. GODFREY PHILLIPS, C.B.E., and MRS PHILLIPS  
 MR JOHN F. PHILLIPS, LL.M., *Secretary, The Chartered Institute of Secretaries*, and MRS PHILLIPS  
 MR J. A. PHILPOTT, M.B.E., F.A.C.C.A., F.C.I.S.  
 ALDERMAN A. T. PIKE, O.B.E., J.P., F.C.C.S., a *Vice-President, The Corporation of Secretaries*, and MRS PIKE  
 SIR RICHARD POWELL, Bt., M.C., *Director-General, The Institute of Directors*  
 MR CHARLES PRITCHARD  
 MR F. B. PROCTOR, F.C.A., and MRS PROCTOR  
 MR W. RANDALL, *Gee & Co (Publishers) Limited*, and MRS RANDALL  
 MR T. O. RAUWORTH, *Managing Director, The Prestige Group Limited*, and MRS RAUWORTH  
 SIR HALFORD REDDISH, F.C.A., and LADY REDDISH  
 MR PETER REES  
 MR W. S. RISK, B.COM., C.A., F.C.W.A., *President, The Institute of Cost and Works Accountants*, and MRS RISK  
 MR STUART M. RIX, F.C.A., F.C.I.S., *President, The Chartered Institute of Secretaries*  
 MR ANDREW B. ROBERTSON, *Head of Publications Division, British Institute of Management*, and MRS ROBERTSON  
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# Correspondence

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## Graduates and the Profession

SIR, — Mr Richardson's letter in your issue of May 20th correctly draws attention to an ambiguity in Recommendation 41 of the Report of the Committee on Education and Training.

Paragraph 124 of the Report on which this recommendation is based does not relate to those who are granted exemption from the Intermediate examination but only to those who are required to present themselves for this examination and who fail to pass it before the expiry of articles.

Yours faithfully,

ALAN S. MACIVER, *Secretary,*

THE INSTITUTE OF CHARTERED ACCOUNTANTS  
IN ENGLAND AND WALES.

*Moorgate Place, London, EC2.*

## The Parker Report

SIR, — I hope it may not be inappropriate to make a few remarks on the Report of the Parker Committee. As a member of the Institute and a teacher I must naturally feel many emotions on reading it, but since the academic aspects of the matter have been the subject of an expression of opinion by official representatives I should not wish to comment on such matters further. Nevertheless there is one point of more general interest which might be discussed, namely the proposed inclusion of the subject of 'management accounting' in the Final examinations.

The subject is one that has been very popular since the war and appears on first sight to be an intensely practical and useful body of knowledge. However, in my opinion, any examination of a typical 'management accounting' syllabus shows it to be a hotchpotch of interpretation of accounts, advanced cost accounting, banking practice, internal audit, integrated cost accounting systems, budgetary control and a subject called 'presentation of accounts to management'. Now all these matters, particularly the last named, seem valuable matters in which to examine aspiring professional accountants, but as a member fairly well experienced in techniques of examination I find it very hard to visualize too wide a range of *concrete* questions that might be asked on these topics with any hope of getting satisfactory answers from a majority of candidates, and it may be that the actual examiners are similarly embarrassed. This has not always been my opinion, but I have been forced to reconsider my views over the last academic year during which I have studied the existing syllabuses

in preparation for my lectures on the subject.

In short, Sir, I feel 'management accounting' is something of a gimmick. When saying this I must be very careful not to suggest that I am an anti-scientist who upholds the 'rule of thumb' in the face of all evidence to the contrary. This is not my view, but, since the problems that face management in practice are invariably complex and usually technical in some respect, it is not possible to simulate them in the classroom (or study note!) except where the students have a common technical background. Thus, management studies are all too often reduced to profound statements of the obvious; an examination in the subject tends to pursue a similar level of banality. If the teacher or examiner does attempt to construct case studies of a concrete nature these must operate against a completely artificial set of circumstances and obey set formulas and rules. In my opinion this positively misleads the student into thinking that such rules and formulas underlie actual business situations, whereas this is a highly suspect point of view.

Finally may I suggest that the post war-vogue of management studies *à la Brech* is on the wane and those who appear to be knowledgeable in technical education seem to be subtly shifting their ground more and more to the social sciences; a strong background of non-medical Freudian psychology is a large part of the ideal training for the would-be manager. In itself a gimmick is harmless enough and certainly many firms and institutions have done themselves a great deal of good with this one, but if management accounting is put into the syllabus in a year or two's time, it will be a subject that will then be as dead as the dodo. It may perhaps be that some enterprising member can secure his own fortune and that of the Institute by working out a Freudian aspect of accounting, but for my part a stiffer test in costing might be a better use of the examination time.

Yours faithfully,

*Birmingham.* T. E. GAMBLING, B.COM., A.C.A.

SIR, — My criticism of the Parker Report is more fundamental than that of Mr C. A. P. Stott (May 27th issue). It is that no suggestions have been made toward raising the standard of general education required of prospective articled clerks. The system whereby candidates are accepted at the age of 16 or 17 produces, all too often, chartered accountants knowing a great deal about accountancy and little else.

Accountancy is the only major profession for which one can qualify without having attended a university or the equivalent, and no amount of technical knowledge can give the general broadening of outlook and ideas inherent in a university education. It is even more to be deplored that the profession does not require passes in advanced level G.C.E. subjects; anyone whose general education stops with six subjects at ordinary level may make an efficient 'accounting machine', but his outlook on life will be sadly

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Yours faithfully,  
*Birmingham.* T. E. GAMBLING, B.COM., A.C.A

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narrow and constricted. Furthermore the system of having to work at a correspondence course leaves no time at all for the liberal pursuits without which a man is incomplete mentally and spiritually.

While such a state of affairs is allowed to continue the accountancy profession cannot complain if it is looked down upon by the Bar, Medicine, etc., which require their members to be educated and not merely trained.

Yours faithfully,

DUNCAN. L. AIKEN.

*Fairfield, near Manchester.*

### Decimalization of Currency

SIR, — It is said that people who live in glass houses should never throw stones and I fear that Mr Farmer in his letter published in your issue of April 22nd has gone a bit far when he accuses you of being 'guilty of extravagant language' and follows up this statement with two of the most fragile arguments I have seen put forward in your columns.

It does not seem to have occurred to Mr Farmer that it is quite natural for people travelling abroad to convert any new currency they meet back to their own irrespective of whether that currency is decimalized or not, and generally speaking one soon gets used to thinking in a currency foreign to one's own after a matter of a few weeks.

As regards the metric guinea suggested, your correspondent has overlooked the fact that although 'the guinea is near enough to the pound' the process of converting an amount of say £1,234 5s 6d into metric guineas could hardly be done mentally, however accurate the final result, and the reverse applies when converting guineas back to £ s d.

The Institute's recommendation of the use of a 100 unit divided into 100 cents, speaks for itself when one considers among other things, the ease with which the above amount becomes 2,468.55.

We should bear in mind that should the 100 unit system be adopted, Britain's conversion will have been made easier with the experience acquired now that South Africa's currency has been, and after those of the Rhodesias, Australia and New Zealand have been, used as the guinea pigs of the £ s d/100 decimalization system.

Yours faithfully,

*Johannesburg, South Africa.*

A. LINCOLN.

### Bankers' Certificates

SIR, — Mr Whelan (May 6th issue) may like to hear of a specific forgery case I have met whereby a cashier obtained blank bank statements on the grounds of printing and paper weight sample, these being used in an identical accounting machine as that used by the bank to forge bank balances.

I think the use of mechanized accounting machines makes the work of the forger easier than when the entries were handwritten, so that the retention of the time-honoured auditor's request for bankers' certificates is still valid. Particularly as I would hesitate to suggest to my bank manager a return to handwritten passbooks.

Yours faithfully,

*Warrington.*

F. D. MITCHELL, A.C.A.

### Goodwill: Coal Merchants

SIR, — I have been asked to value the goodwill of a coal merchants business on the death of one of the partners. I shall be grateful for any guidance which your readers may be able to give me on the method of computation normally adopted in this trade. The annual turnover is between £16,000 and £17,000, and I believe that, in a business of this small size, goodwill is very often assessed at so much per customer, particularly where the majority of customers are domestic users.

Yours faithfully,

GOODWILL.

## Taxation Cases

*Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.*

### Crossland v. Hawkins

In the Court of Appeal — May 3rd, 1961

(Before Lord Justice HOLROYD PEARCE, Lord Justice UPJOHN and Lord Justice DONOVAN)

*Income tax — Settlement on Children — Actor's exploitation company — Father a director but not a shareholder — Agreement for services at weekly remuneration — Settled fund provided by father-in-law — Fund used to purchase all the shares in company — Whether an arrangement-settlement — Whether respondent a settlor — Finance Act, 1936, Section 21 — Income Tax Act, 1952, Sections 397, 401, 403.*

The respondent, a well-known actor, had a service agreement with a company, whereby he agreed to serve the company and to his services being let out to third parties, and whereby the company was to pay him a weekly salary and was to pay his expenses in the performance of his services. The respondent had the right to approve contracts entered into by the company, under which he was to render services to third parties; and he was not bound to render services which he reasonably considered detrimental to his reputation.

The company was formed on January 3rd, 1954, with a capital of £100 in shares of £1 each. Two shares were issued to the subscribers to the memorandum of association, and these shares were subsequently transferred, one to the respondent's wife and a chartered accountant jointly, and the other to the chartered accountant himself. The respondent was not at any time a shareholder in the company, but he was a director. On December 10th, 1954, the

service agreement already mentioned was made. On March 3rd, 1955, a settlement deed was executed between the respondent's father-in-law on the one part and the respondent's wife and the chartered accountant as the trustees, and the £100 was settled by the father-in-law out of his own moneys for the benefit of his grandchildren. By a deed of appointment of the same date the trustees revocably appropriated the trust fund for such of the three children of the respondent as should attain the age of 25 years in equal shares. On March 31st, 1955, the trustees were allotted the ninety-eight unissued shares in the company for cash. The respondent, though aware that these arrangements were being made, was not consulted with regard to them.

During the period to April 30th, 1957, the respondent acted in a firm, and the company received £25,000 for providing his services. The company paid the respondent £900 for twelve weeks' work at the rate of £50 a week salary and £25 a week for expenses. On October 18th, 1956, the company declared and paid an interim dividend for the period just mentioned of £500 free of tax, and the trustees allocated and paid that sum for the benefit of the three children after deduction of tax.

The respondent claimed, on behalf of the children, repayment of the tax so deducted. The General Commissioners decided that there was no arrangement-settlement within Section 397 of the Income Tax Act, 1952; and that the respondent was not a settlor within the meaning of Section 403 of the Act.

*Held* (reversing the judgment of Mr Justice Danckwerts): there was an arrangement-settlement for the purposes of Section 397 of the Income Tax Act, 1952; the respondent indirectly provided funds for the settlement; and he was therefore the settlor for the purposes of that section.

**R. Woolf and Co (Rubber) Ltd v.  
Commissioners of Inland Revenue**

In the Court of Appeal – May 10th, 1961

(Before Lord Justice HOLROYD PEARCE, Lord Justice UPJOHN and Lord Justice DONOVAN)

*Surtax – Undistributed income of company – No five shareholders in control – Persons holding debentures – Whether to be treated as members – Whether interested in capital – Whether interested in income – Finance Act, 1922, Section 21 – Finance Act, 1936, Section 20 – Income Tax Act, 1952, Sections 245, 246, 248, 249, 250, 255, 256, 257, 258.*

A company (the old company) carried on a trade of

rubber manufacturing and waste rubber dealing, and it had a capital of 11,500 ordinary shares of £1 each. It was a company within what is now Section 245 of the Income Tax Act, 1952. In 1950 one of the principal shareholders died; and with a view to arranging for the payment of death duties on his estate, and for death duties in respect of the estates of the surviving shareholders, a new company was incorporated on March 5th, 1951. The new company's issued capital consisted of 1,000 shares of £1 each, which were issued as to fifty to the wife of one of the shareholders in the old company and as to the balance to the trustees of sixteen family trusts; and no five shareholders held between them more than 49 per cent of the issued shares of the new company.

On October 18th, 1951, the shareholders in the old company sold their shares in that company to the new company for £600,000, which was satisfied by the issue of £200,000 first mortgage debenture stock and £400,000 second debenture stock. On October 19th, 1951, the new company purchased the undertaking and assets of the old company subject to the then existing liability for £600,000 which was left as an unsecured debt. On the same day the names of the companies were changed. Interest at 6 per cent per annum was payable on the debenture stocks, and they were secured by a specific charge and a floating charge. The new company was bound to pay to the trustees of this stock a sum of £13,125 a year as a redemption fund. The stock, or any part of it, could be redeemed at £105 per cent, and it was to be repaid by January 15th, 1967. Similar arrangements were made as to the second mortgage debenture stock, but this stock could not be redeemed until after the redemption of the first mortgage debenture stock. Most of the latter stock was redeemed in the year ended January 31st, 1953. In computing the actual income of the new company the interest paid on the two stocks was deducted.

The Special Commissioners decided that the holders of the debenture stocks were not members of the new company for the purpose of the legislation in question, in that they had no shares or interest in the capital or profits or income of the company; that if that conclusion was wrong, the stockholders did not have any interest in the new company's income for the reason that the interest on the stocks was deductible in computing the income and that therefore no apportionment could be made among them.

*Held* (reversing the judgment of Mr Justice Danckwerts): the stockholders were not members of the company, and the income could not be apportioned among them.

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# Notes and Notices

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

### Members' Library

The third cumulative supplement to the August 1959 *Short List of Books* has now been issued. Copies, which contain additions to March 1961, will be sent to members by the Librarian, free and post free, on receipt of an addressed label. Copies of the last edition of the *Short List* are also available.

### PROFESSIONAL NOTICES

MESSRS HODGSON, MORRIS & Co, Chartered accountants, of Liverpool, announce the retirement of their senior partner, Mr IRVING BUCK, B.COMM.SC., F.C.A., in order to take up a commercial appointment. The practice will be carried on by the remaining partners, Messrs NORMAN RUTTER, F.C.A., STANLEY MORRIS, F.C.A., G. GRAHAM LEE, F.C.A., and E. L. ASHTON, B.A., F.C.A. Mr BUCK has agreed to assist them in a consultative capacity.

MESSRS THORNTON, CHARLESWORTH & Co, Chartered accountants, of 21 High Street, Bideford, Devon, and 14A South Street, Torrington, Devon, announce that as from June 1st, 1961, they have admitted Mr D. HAYMAN, F.C.A., who has previously practised on his own account at Alexandra House, Cross Street, Northam, Devon, into their partnership. The style of the firm remains unchanged.

MESSRS STANLEY HOLMES & Co announce that, following upon the recent death of their senior partner, Lord DOVERCOURT, F.C.A., the practice will be continued by the remaining partners at 68 Pall Mall, London, SW1.

MESSRS RUSSELL & Co, Chartered Accountants, who carry on practice in the Lebanon, Cyprus, Greece, the Sudan, Ethiopia and elsewhere, announce the formation of a joint partnership with Messrs ARTHUR YOUNG COMPANY, of the United States and Great Britain, to carry on practice throughout the Middle East under the name of ARTHUR YOUNG & COMPANY. Messrs RUSSELL & Co's existing practice will continue as heretofore.

MESSRS E. WATTS & Co, Chartered Accountants, of 10 Victoria Street, London, SW1, announce that Miss RUTH WATTS, B.A., F.C.A., will retire from the partnership on June 30th, 1961. The firm will continue under the same name and Miss JOYCE EDWARDS, F.C.A., is taking into partnership Miss I. E. THURSTON, A.C.A.

## OBITUARY

### Geoffrey Bostock, F.C.A.

It was with much regret that we learned of the death on May 24th in his eighty-first year of Mr Geoffrey Bostock, F.C.A., senior partner in the firm of Annan, Dexter & Co.



Educated at Solihull School, Mr Bostock was articled to Mr Charles Edward Martineau, of Carter & Co, Chartered Accountants, of Birmingham, in 1898. He was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1903

and was elected to Fellowship in 1909. Mr Bostock became a partner in the firm of Annan, Dexter & Co in 1904 and in the same year was a founder member of the firm of Deloitte, Plender, Griffiths, Annan & Co, in which Deloitte, Plender, Griffiths & Co and Annan, Dexter & Co, carried on their business in British Africa. He became senior partner in his firm in 1934. From 1934 until 1959 he served as auditor of The Institute of Chartered Accountants in England and Wales and also from 1934 was honorary auditor of the Institute's Benevolent Fund—a position he held until the time of his death.

Mr Bostock took an active interest in church, charitable and masonic work. For a number of years he was churchwarden and honorary treasurer of St James's, Piccadilly, and St Margaret's, Lothbury. A director of the Melanesian Mission Trust (England) Ltd, he provided a City office for the Mission prior to the outbreak of the last war. He was Grand Treasurer of the Grand Lodge of England in 1941; a member of the board of management of the Royal Masonic Institution for Boys from 1942; chairman of the Royal Free Hospital from 1950–56, and a member of the general council of King Edward's Hospital Fund for London from 1953–59.

### George Oliver May, F.C.A., C.P.A.

We record with great regret the death on May 23rd, at his home at Southport, Connecticut, of Mr G. O. May, F.C.A., C.P.A., one of the most distinguished and most revered members of the accountancy profession both in North America and in the wider international field outside his adopted country.

Mr G. O. May was born at Teignmouth, Devon-

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shire,\* on May 22nd, 1875, and was educated at Blundell's School. He was articled to Thomas Andrew, of Exeter, and was admitted as a member of The Institute of Chartered Accountants in England and Wales in 1897. He joined the staff of the London office of Price Waterhouse & Co early in that year and was transferred to the New York office some months later. Thereafter he made his home in the U.S.A. and in due course became an American citizen. He was admitted to partnership in the U.S.A. firm on January 1st, 1902, and became senior partner in 1911 on the return of Sir Arthur Lowes Dickinson to England; he continued to be a partner up to his retirement from practice in 1940 and was also a partner in several of the other partnerships associated with his firm.

We are indebted to Sir Thomas Robson, M.B.E., M.A., F.C.A., for the following appreciation of G. O. May, whose initials epitomized the regard in which he was held by the entire profession:

'G. O. May was a man of penetrating and questing mind, with a wide and long view of the duties and opportunities lying before his chosen profession. He was quick to discern the major point in any issue, to perceive the underlying principle of a problem and to reduce that problem to terms in which it could be expounded to those seeking his advice or listening to his evidence.

'He was well known for his great abilities, not only as a practical accountant but also as an expert witness, as a writer and speaker, as a leader of his profession in its endeavours to bring about improvements in the standards of disclosure and in the significance of accounts. He did much to bring home to people outside the profession the importance of the consistent application of accounting principles and of an objective approach to the presentation of the financial results and positions of businesses. Above all he was endowed with a clear, well-ordered and well-furnished mind, which he was always ready to use for the benefit of any who consulted him.

'The extent of May's influence on the profession and on its standing in relation to business and other professions in North America was immense. The debt owed to him in this way cannot now be measured. As some acknowledgment of what he had done up to that time, his partners got together and published in 1936 a collection of some of his writings on a variety of subjects under the title *Twenty-five Years of Accounting Responsibility*. This book shows the remarkable range of the man's thought and his intense interest in his profession. Then, in 1943, after his retirement from active practice, he himself wrote his book on *Financial Accounting - A Distillation of Experience*, which is a classic of its kind. These, however, are only slight indications of the activity with his pen which has produced large numbers of articles and papers to the great benefit of those who read or listened to them.

'May was one of the most forward-looking accountants of the day; even as he approached his eighty-sixth birthday he was still looking ahead and discussing the future of the

profession. There was stimulus for any accountant in meeting him, even for one who could not reach the high planes of thought on which in later years he sometimes appeared to rest his arguments.

'He always took the greatest interest in the discussion of accountancy matters on an international basis. One of his early activities in the U.S.A. was to take a prominent part in the organization of the first international congress, that which was held at St Louis, Missouri, in 1904; he either attended or studied with enthusiasm the record of the congresses which have followed it. There was every hope that he might play a part in the congress which is to meet in New York next year, but that, unfortunately, is not to be.

'Despite, or perhaps because, he was of such distinction, May could be a most interesting and amusing companion, disclosing interests in and knowledge of literature which became evident as he talked, and displaying an astonishing capacity for apt anecdote or quip to illustrate the points of his remarks. One of his special delights was the collection of old silver of which he had made a deep study and was ever ready to impart his profound knowledge to others. To the young and to his other friends he was generous and kind in his encouragement, perhaps because he was himself always young at heart.

'He, himself, was fortunate in having young people about him. His wife died in 1932, leaving a son and two daughters, whose children and grandchildren were a source of great delight to his later years.'

#### PREVENTION OF FRAUD: INVESTMENTS

The 1961 edition of the annual publication *Particulars of Dealers in Securities and of Unit Trusts under the Prevention of Fraud (Investments) Act, 1958*, containing particulars of persons and firms authorized to carry on the business of dealing in securities as at January 31st, 1961, has now been issued by the Board of Trade<sup>1</sup>. The publication contains the names and addresses of holders of principal's licences, of members of stock exchanges and of associations of dealers in securities which are recognized by the Board, and of exempted dealers. Particulars of unit trusts schemes authorized by the Board are also included.

#### CORRECTION

In the leading article in last week's issue on the oral evidence given to the Jenkins Committee by representatives of The Institute of Chartered Accountants in England and Wales, a negative was omitted in the last sentence at the foot of column one on page 652. The sentence should have read 'was *not* written off relative to that value, because that would show an untrue and unfair figure of the profits'. A reference to the Cohen Committee on page 651 was unfortunately misprinted as 'Chon Committee'.

<sup>1</sup> H.M.S.O. Price 3s (by post 3s 4d).

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## Registration of Charities

**W**HEN THE HOME SECRETARY moved the second reading of the Charities Bill in the House of Commons he included amongst the major reforms which it made, directed to the social realities of today, the establishment of a central register of charities: the Order<sup>1</sup> which he and THE MINISTER OF EDUCATION recently made under the Charities Act, 1960, requiring the registration of charities in Bedfordshire and Surrey, is an important step in furtherance of the policy of the Act, for it is the first of a series of Orders which are to be made gradually extending compulsory registration to the whole of England and Wales. It is hoped to complete the process of registration in about three years.

The Order has been made under subsection (10) of Section 4 of the Act. That section provides for the setting up of the central register, but in the case of charities taking effect before the commencement of the Act - for this purpose, January 1st last - subsection (10) postpones registration until such date as THE HOME SECRETARY or, as regards any part of the register to be maintained by him, THE MINISTER OF EDUCATION, may by order appoint; and it is provided that different dates may be appointed for different classes of case. The date appointed by the Order which has now been made is June 22nd next and it is the duty of the trustees of any charity whose work is carried on for the benefit wholly or mainly of the administrative county of Bedford, the administrative county of Surrey or the county borough of Croydon, or any part of any of those areas, to consider whether they should apply for its registration.

Charities in Bedfordshire and Surrey will not be the first to be registered, because every charity coming into effect on or after January 1st, last, has been immediately registrable, unless for any reason it has been excepted from the requirement to register. There may be some new charities whose trustees have so far failed to apply for registration. If there are such in Bedfordshire and Surrey, the wide publicity given to the extension of registration to pre-1961 charities in those counties can hardly fail to come to their notice; for not only has the making of the Order been publicized in the Press, but the Charity Commissioners have written to the clerks of borough, urban district and parish councils in the counties affected, to solicitors likely to act for charities in those counties, and to the secretaries of national charities which may have branches there, requiring registration. Errant trustees in

<sup>1</sup> The Charities (Registration) (Commencement No. 1) Order, 1961. (S.I. No. 987 of 1961.)



those counties should, then, be left in no doubt as to where their duty lies; and as the series of Orders is enlarged, charities in other parts of England and Wales which should already have been registered will be drawn into the registration scheme.

The registration of charities by reference to a particular administrative area is far more important for the completion of that scheme than is registration by reference to date of creation, though the registration of new charities is a very sensible procedure. It is a primary object of the Charities Act to foster co-operation between charity and the statutory welfare services, and in the furtherance of this object the central register plays a vital part. Since it is manifestly impossible to complete the registration of all charities which are subject to the registration provisions in less than a period of years, the method of gradual registration on a county basis which has been adopted is clearly the right one, for as registration in any particular county is effected, so it becomes the more easy to effect in that county the co-operation at which the Act aims. Some sense of disappointment may be felt in a county which is low down in the list for registration, but no one will be entitled to complain very loudly if the task of registration is in fact finished in three years.

Gifts to charity are commonly given by persons whose desire is to benefit a locality as much as an object. The central register will provide an index which will assist the potential benefactor to decide how to bestow his bounty, while conversely, a person who seeks the benefit of charity can consult it to ascertain whether there is any institution to which he may appeal for aid; in both cases the local element will be an important one. Again that element is important when social workers look to the register for particulars of charities whose aid they may invoke on behalf of persons who have come to them for help; and, of course, from the point of view of charities and local authorities, when one wants to see what the other is doing. Furthermore, the entries on the central register will form the nucleus of the local indices which local authorities are authorized by Section 10 of the Act to maintain, though such local indices may, as regards the detail included in them, go beyond the central register. Whether a local authority decides to maintain an index may

well depend upon the degree to which it wishes to avail itself of its powers under Sections 11 and 12 of the Act which respectively permit local authorities, subject to certain provisions, to initiate reviews of local charities, and empower them to co-ordinate their activities with those of charities. Though so much is done for the individual by local authorities, under the aegis of the 'Welfare State', there yet remain many cases where charity can play a most valuable part, and machinery which enables charitable resources to be located and directed into useful channels is clearly to be desired and should be kept running smoothly. It is to be hoped, therefore, that both charity trustees and local authorities will do all in their power to get the best out of charity.

Charities have the great privilege of tax relief and one of the big advantages of registration is that an institution, as long as it is on the central register, is conclusively presumed for all purposes (other than rectification of the register) to be a charity (Section 5 (1)), and hence entitled to relief from income tax. It seems likely that many charities which are not compelled to register, because they are within the excepted classes referred to in subsection (4) of Section 4, will in fact apply, under subsection (2), for voluntary registration, if only to show that they qualify for tax relief. On the other hand, the policy is to except from the requirement of registration those charities whose registration would not be of any real value; for example, because particulars of them could be found elsewhere – a 'registered place of worship' within Section 9 of the Places of Worship Registration Act, 1855, is a case in point – or because their assets are very small.

It must be remembered, however, that exception from registration does not of itself involve exception from other provisions of the Act. In particular, a charity excepted from registration may still have a duty to transmit accounts to the Charity Commissioners under Section 8 (1) in the prescribed form,<sup>2</sup> and the Commissioners may require its accounts to be professionally audited (Section 8 (3)). On the other hand, a charity registrable under Section 4 may be excepted from the requirement to submit accounts by an order made under Section 8.

<sup>2</sup> See the Charities (Statement of Accounts) Regulations, 1960. (S.I. No. 2425 of 1960.)

## Motor-cars and Income Tax – II

IN the capital allowances example in last week's article the initial allowance was inadvertently taken at 20 instead of 30 per cent. The points made in the example are unaffected but the figures should be amended as follows:

	£	£
Actual cost .. .. .	6,000	
Assumed cost .. .. .	2,000	
Allowances:		
Initial .. .. .	600	
Annual .. .. .	500	
		1,100
Unallowed expenditure .. ..	£900	
(a) Sold for £2,700		
$\frac{2,000}{6,000} \times £2,700$ .. .. .	900	
No balancing allowance or charge.		
(b) Sold for £4,500		
1/3rd of £4,500 .. .. .	1,500	
Balancing charge (£1,500 – £900) ..	600	
(c) Sold for £4,900		
1/3rd of £4,900 .. .. .	1,633	
Balancing charge (£1,633 – £900) ..	733	

Section 206 of the Income Tax Act, 1952, gives to the taxpayer the option of setting off, against the cost of new machinery, the amount on which the balancing charge would otherwise be made in respect of the sale of the machinery which it replaces. Clause 20 (5) in effect restricts the set-off, in the case of a new car, to £2,000. This is without prejudice to the application of clause 20 (2), (3), (4) to the new car.

Under Section 332 (1), (2) of the Income Tax Act, 1952, expenditure which is met directly or indirectly by certain authorities and other persons (e.g. by way of subsidy) is not to be treated, for capital allowance purposes, 'as incurred by the person who in fact incurred it.' Thus if a taxpayer incurs £6,000 in the provision of a car, and he receives a Crown subsidy of, say, £1,800, then for capital allowance purposes under the existing law he is treated as having incurred only £4,200. One way to operate clause 20 (1) in such circumstances would have been to disallow a further

£2,200 and give allowances on £2,000. However, clause 20 (6) provides that the £4,200 is to be cut down in the proportion which £2,000 bears to £6,000, i.e. to £1,400. In other words, the subsidy results in a proportionate lowering of the £2,000 maximum.

Where the person giving the subsidy is entitled under Section 332 (3) to claim capital allowances on it, then clause 20 (6) cuts down this amount in the like proportion; regardless of the fact that the claimant does not himself have the use of the car. Thus a person who contributed £1,800 towards a £6,000 car would find that his allowances under Section 332 (3) would be based on one-third of £1,800. Of course, there will be no restriction under clause 20 (6) if the car is being provided wholly or mainly for the purpose of hire to (or carriage of) the general public in the ordinary course of a trade (clause 23 (3)).

The elaborate provisions in the Income Tax Acts for capital allowances have not entirely replaced the more ancient system of renewal allowances, under which expenditure on renewing plant and machinery can be deducted in computing assessable profit, or can be included in a Schedule E expenses claim. Clause 21 of the new Bill seeks to impose, on such renewals allowances, restrictions similar to those directed against capital allowances by clause 20. For some reason clause 21 purports to confine itself to 'capital' expenditure, although it is arguable that the very fact that the expenditure is deductible under general principles shows that it is not capital. In Section 330 (1) of the Income Tax Act, 1952, 'capital expenditure' is defined so as to exclude expenditure which is deductible in computing profit – this, of course, to prevent double allowance. Clause 23 (5) provides that Sections 20–23 shall be construed as one with Chapter II of Part X of the Income Tax Act, 1952. Clause 23 (5) goes on to provide expressly that 'capital expenditure' shall be construed without regard to Section 330 (1) (which defines 'capital expenditure' as excluding sums deductible in computing profit).

Clause 21 provides that the expenditure

exceeding £2,000 on the provision of a car 'shall be disregarded for all purposes'

'in determining what amount (if any) is allowable:

- (a) to be deducted in computing profits or gains chargeable to tax under Schedule D; or
- (b) to be deducted from emoluments chargeable to tax under Schedule E; or
- (c) to be taken into account for the purposes of a management expenses claim or a maintenance claim (within the meaning of Section 72 of the Finance Act, 1960).'

The effect under (a) or (b) is reasonably clear. If the taxpayer buys a £4,000 car to replace one which cost £8,000 before April 1961, then only £2,000 of the £4,000 can be taken into account. And if the taxpayer is allowed £2,000 on the old vehicle, it follows that he receives no allowance at all in respect of the renewal, notwithstanding that the new car is less luxurious than the old. However, when the £4,000 car comes to be replaced in its turn, then the proceeds of sale of that car will fall to be reduced, for tax purposes, to the proportion which £2,000 bears to £4,000. Assume then that the £4,000 car is sold for £2,000 and replaced by a new car costing £2,000. In the ordinary way no deduction would be permissible, since the net outgoing is nil. However, the second part of clause 21 requires that the £2,000 received for the second car be halved. Accordingly, the renewals deduction will be £2,000 minus £1,000, or £1,000. If the third car costs £6,000, the deduction would be the same, namely, £1,000.

The somewhat vague terms in which paragraph (c) of clause 21 is couched gives rise to an ambiguity. Paragraph (c) is apt to cover a capital allowances claim made pursuant to Section 72 of the Finance Act, 1960. Now capital allowances claims are already restricted by clause 20. It could be argued, therefore, that clause 20 and clause 21 (c) are cumulative, i.e. that where capital allowances are claimed in management expenses or maintenance claims, on a car costing more than £2,000, then the claim is to be doubly restricted. However, what the draftsman intends is clear enough: if the claim for management expenses or maintenance relief includes the renewal of an old car by one costing more than £2,000, the deduction is to be restricted as in paragraph (a) or paragraph (b) of clause 21.

By themselves, clauses 20 and 21 would leave the door wide open to avoidance by the device of

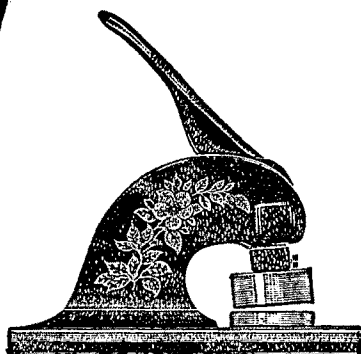
hiring an expensive car instead of buying it. Clause 22 attempts to close that door. It provides as follows:

'22. Where apart from this section the amount of any expenditure on the hiring of a vehicle (otherwise than by way of hire-purchase) to which this section applies would be allowed to be deducted or taken into account as mentioned in the foregoing section, and the retail price of the vehicle at the time when it was made exceeded £2,000, the said amount shall be reduced in the proportion which £2,000 bears to the said price.'

In the absence of any definition in the Bill or in the Income Tax Acts of 'hire-purchase', one is apparently entitled to construe it as meaning an agreement for hire coupled with an option on the part of the user to buy. In such cases the periodical sums are normally split into two constituents: instalments of the cash price, and hire-purchase 'charges'; the first being 'capital expenditure' qualifying for capital allowances, the second being a deductible expense in computing profit (*Darngavil Coal Co Ltd v. Francis* (7 T.C. 1)). Now if an agreement which is otherwise an agreement for simple hire contains an option for the user to buy at some price which, instead of the usual nominal sum, is the normal retail price, it will be clear that the hire payments are all deductible on general grounds, the purchase option being of negligible value. Nor, it would seem, will clause 22 have any application since the agreement is technically a hire-purchase agreement. At any rate it would be strongly arguable. Clearly the wording requires some tightening.

Another curious aspect of clause 22 is that it assumes that the hire charge will be directly proportional to the retail price of the vehicle when it was made. A trader who in 1961 hires a Rolls-Royce which cost £5,000 twenty-two years ago, will have three-fifths of the hire charge disallowed under clause 22. A trader who in 1961 hires a new car which cost £2,000 will be unaffected by that clause. As the retail price is inclusive of purchase tax, it will often be a matter of chance how much, if any, of the hire charge is disallowed, depending on the rate of purchase tax which was in operation at the time the car first came on the market.

Although clauses 20-23 contain no reference to profits tax, they automatically affect profits tax as well.  
(Concluded.)



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# Capital Budgeting – I

by N. H. GREEN, F.C.A.

*The author of this series, the subject of which is being regarded with increasing interest in the business world at the present time, is responsible for the development of accounting procedures in the operating companies of the Nestlé Group*

## General

THE task of the board of directors, stated in very general terms, is to use the shareholders' money, within the limits set by the articles of association, to earn a satisfactory return on their investment. This statement applies equally to funds subscribed by the shareholders or profits which have been retained for expansion purposes. An important part of most companies' investment is represented by fixed assets and the object of this article is to consider how capital expenditure decisions are taken and what financial data can be helpful to management.

Many factors besides the anticipated return will influence investment decisions, particularly in the larger corporations which have substantial funds available for new ventures in times of economic prosperity. Social responsibility to work-people or to the consumer may involve considerable expenditure to improve working conditions or the quality of the company's products. The struggle for supremacy between the capitalist and communist systems makes it desirable that large companies which have the means at their disposal should make investments in the under-developed countries, although they may yield little profit for many years and may be politically risky.

Indeed, a company which operates on a world-wide scale cannot afford to stay out of all those countries in which the political and economic situation is uncertain. In the long run it would gradually lose its position in the world markets, while its competitors, less cautious, would be firmly established in the young countries. The cost of breaking into those markets once competitors are established would probably far exceed the losses which the competitors may have incurred on some of their investments in under-developed countries. Nevertheless, the overall return on the capital must be kept at a reasonable figure if the business is to prosper; investments on which no immediate return is anticipated must be balanced by others, more remunerative. All this implies that the financial aspects of investment proposals must be investigated even if other factors are equally important in the final decision.

Capital expenditure decisions are certainly some of the most troublesome and at the same time the most important in the management of a business. Fixed assets are, as their name implies, well and truly fixed

and if business does not develop as expected, you cannot get your money out again. When you build and equip a factory, you fix for the future many elements of the cost of your products. Afterwards you may be able to reduce some of your manufacturing costs at the price of further capital expenditure, but other items, such as transport of raw materials and finished goods, are decided by the location of the factory and its general layout. Therefore it is important to make the most comprehensive studies before going ahead with major investments.

In the first place, the future prospects for the products to be manufactured must be assessed. What are the likely developments in this field in the next ten to twenty years and could the proposed plant be adapted to improved manufacturing processes or new products if necessary? Even if the product is selling well and demand is presently expanding, consideration must be given to its probable life in the market. In an international business these factors are particularly important in assessing the chances of selling an established product in a country where it has not yet been marketed. Economists and experts in market research can be extremely useful in this kind of study, although the management will have to make use of their own experience and judgment, as well as the expert evidence, in order to reach a final decision.

The location of the factory is extremely important, particularly in connection with transport costs, availability of labour and efficiency of public services (electricity, water). In very complicated situations it may be desirable to use the service of operations research experts who are able to use higher mathematics to solve problems which are too complex to be analysed by ordinary methods. When products and location have been decided, the architects, engineers and production specialists must decide the thousands of details concerning the construction of the factory – the layout and the work flow, the kind of machinery, etc.

## Decision Making

This is the background of capital expenditure problems; now consider the way such decisions are handled in industrial companies today. In the small business where the owner is also general manager, decision making is entirely in his hands, although he will of course have the same technical problems to

solve on a smaller scale. Decision making and subsequent execution and control are very much more complex in a large organization where separate production, sales and financial divisions are responsible to top management, who is in turn responsible to the board of directors. Clearly the board must approve the overall programme for capital investments and will probably want to examine carefully the projects of major importance. However, they cannot possibly examine in detail the numerous proposals in connection with the replacement and improvement of existing assets.

The capital expenditure programme submitted to the board will probably include a global figure for the replacement and improvement of machinery etc. at existing plants, and individual projects will be approved by top management. In order to lighten the task of the latter, the executives of the production division may be authorized to take decisions on small items of expenditure. However, it must not be forgotten that all three functional divisions have an interest in the capital expenditure programme—production must be co-ordinated with sales, and finance for capital expenditure must be made available. Top management should ensure that the policies pursued by the three functional divisions are in harmony and that capital expenditure proposals are in line with general policy for the development of the business.

The manager of the production division and the factory managers may be authorized to decide on proposals not exceeding a certain figure, and the total expenditure on such projects should not exceed a certain maximum sum over a fixed period. Any system which allows the production division executives to spend more than modest sums without reference to top management is in danger of allowing unnecessary investments to be made. A technical improvement in the manufacturing machinery, apparently within the competence of the plant engineer, may be affected by a top management decision to withdraw the product within the near future. Some risks of this kind must be accepted if there is to be any delegation at all, but such authority should be limited.

### Advantages of Budgets

Large organizations are turning more and more to control of expenditure through budgets and, in many companies, capital expenditure was one of the first items to be budgeted. A system of annual budgets for capital investments enables the total expenditure to be controlled by the board and the management, without the need for each project to be separately approved. An annual budget in which each item of any importance is specified enables all the executives concerned to study the proposed projects and give their views to top management before the budget is finally approved. The manager of the sales division should ensure that no individual projects clash with

sales policy. The manager of the finance division will examine any financing problems and will also ensure that the profitability aspect of the proposals has been properly calculated in accordance with company procedures. The detailed preparation of the budget and the subsequent execution will, of course, be the responsibility of the production division. Control, in the form of a comparison of actual expenditure with budget, should be exercised by the financial division. In this connection it is desirable that the budget should be composed of a number of separate credits for each item of expenditure, rather than a global sum per factory. A surplus on one credit should not be transferable to cover projects not included in the budget proposals. Expenditure during the year will be analysed by 'credit number' and this expenditure analysis will provide the basis for the entries in the inventory of fixed assets.

### Classification of Proposals

Expenditure on fixed assets is a very wide term which includes the building of a new factory for £1 million or replacing small items of machinery for £100. For administrative purposes capital expenditure can be conveniently classified in two groups:

- (1) Replacements and improvements in existing factories;
- (2) expansion projects—including only major proposals for extension of existing plants or the construction of new ones.

### Replacements and Improvements

In the first group, the initiation of budget proposals is usually in the hands of the production division and the interest of other divisions is limited. Top management should ensure that individual projects are in line with the future development of the business, that the total expenditure for replacements and improvements is reasonable and that finance is available. If budget proposals are received from a number of plants for approval by production division at head office, it is desirable to use some kind of credit request form in order to standardize the presentation of data. The information to be submitted to head office will vary according to the project, and a credit request form (see accompanying illustration) should be regarded as fixing the minimum of information to be provided. Whenever this minimum is insufficient to permit the person reading it to understand the proposal, further details must be attached. Some projects in this group will be justified by a decrease in operating costs (e.g. mechanization of a manual operation) and must be supported by a profitability calculation prepared in accordance with the method fixed by financial division (to be discussed in the next article). Usually the 'replacement and improvement' budget will be prepared towards the end of each

financial year for expenditure in the coming year.

Despite the advantages which result from an annual review of capital expenditure projects, the budgeting procedure must be flexible enough to enable urgent items of capital expenditure to be dealt with expeditiously. This need can be met by a system of 'extraordinary credits' which can be granted at any time during the year, provided that the matter is sufficiently urgent.

### Expansion Projects

It is relatively simple to set aside a period once a year when all 'replacement and improvement' projects are considered and an annual budget is prepared. It is less easy to deal with 'expansion' projects in the same way. The study of such projects will be spread over periods of many months and when all the elements necessary to reach a decision have been assembled, there is no point in delaying until the next budget is prepared. Such projects can and should be dealt with separately because they are not very numerous and they are of vital importance to the future of the business. If they are tied strictly to the annual budget, there is a tendency for the study to be skimmed in order to adhere to a time-table or alternatively the project is delayed.

It was stated above that the 'replacements and improvements' budget is initiated by the production division and that the interest of other divisions is limited. Expansion projects will usually be initiated by top management and each functional division should participate in studying the proposal or, more probably, a number of alternative proposals.

As mentioned earlier in this article, experts in engineering, production, market research, operations research, finance, etc., will have to be called to assist in the completion of an investment study. Top management will have a co-ordinating function but in view of the considerable work involved, this task must

be delegated to staff assistants. In very large organizations there may be a staff group reporting direct to top management on important expansion projects. If such projects arise only occasionally, it is not possible to maintain a permanent group for this work and the same function must be delegated elsewhere. Since the accountants are accustomed to collecting data and presenting it to top management, it is probable that they will be called upon to carry out investment studies. It is very important that the management should fix clearly who is responsible for investment studies for expansion projects, since there could be a tendency for a production division to advise top management on the merits of a proposal without sufficient consultation with other divisions and without the benefits of a co-ordinated study.

(To be continued.)

<b>CREDIT REQUEST FOR GROUP I</b>		Factory: _____	
		Department: _____	
		Budget 19_____	Prop. No. _____
<b>Description of the investment:</b>			
Supplier proposed: _____		Capacity: _____	
Type: _____			
<b>Type of investment:</b>		<b>Priority:</b>	
<input type="checkbox"/> replacement		<input type="checkbox"/> A	
<input type="checkbox"/> change of method		<input type="checkbox"/> B	
<input type="checkbox"/> hygiene, security		<input type="checkbox"/> C	
<b>Justification:</b> Indicate unfavourable consequences in case of refusal, if any			
Capacity required: _____			
Degree of occupation: _____ per cent		Hours occupied: _____	
<b>Analysis of total expenditure currency</b>	<b>Buildings</b>	<b>Machines</b>	<b>Tools Furniture</b>
Cost: _____	_____	_____	_____
Transport: _____	_____	_____	_____
Duty: _____	_____	_____	_____
Erection and Demolition: _____	_____	_____	_____
<b>Credit to be granted:</b>	_____	_____	_____
<b>Probable distribution of expenditure</b>	19_____	19_____	19_____
<b>Description of the installation to be replaced</b>			
Inventory Number: _____		Type: _____	
Maker: _____		Capacity: _____	
		Year of Purchase: _____	
Will the proposed installation lead immediately or after a certain time to additional expenditure for complementary installations or auxiliary services? If so which? If not, write 'no' below. (the serial number of any other Credit Request connected with this one should be indicated.)			
Date: _____		Signature: _____	

# The Nature and Purpose of Accounting

by R. H. PARKER, B.Sc.(Econ.), A.C.A.

Lecturer in Accounting, University of Adelaide

THE purpose of accounting may be said to be the provision to interested parties of useful and relevant information concerning economic quantities. There are three elements in this definition. Firstly, it is the purpose of accounting to provide *useful and relevant* information. It is the accountant's function to pick out from the mass of facts surrounding him those which are useful and relevant to the purpose in hand. There is no point in accounting merely for the sake of accounting. Secondly, the information concerns economic quantities. In other words, accountants handle facts which can be measured and 'quantified'. This is not to suggest that only those things which can be measured are important, but merely that they alone are capable of being recorded in accounts. Thirdly, accounts are prepared for the use of interested parties, e.g. management, shareholders, governments, beneficiaries of the estates of deceased persons, etc. The kind of information required by these parties will largely determine the form of accounting used.

## Double Entry not Fundamental

There is no mention of double entry in our suggested definition of the purpose of accounting. It must be emphasized that double-entry book-keeping is no more than a very useful technique. For example, the entry

Depreciation

Provision for depreciation

merely *records* depreciation. It does not help us to discover what depreciation is, or how to measure it. To state that 'the familiar idea of double entry is quite fundamental to all accounting theory'<sup>1</sup> seems to place an unnecessary limitation upon accounting. Dr Trevor Johnston has pointed out that

'sometimes this technique is not employed - accounts are kept in the form of schedules, lists, simply a cash-book, or on a "single entry" system - yet this does not mean that the processes are not accounting.'<sup>2</sup>

Insistence that double entry is fundamental

would also exclude such statistical techniques as operations research and linear programming. It is suggested that accountants should not hesitate to make use of any technique which becomes available.<sup>3</sup> Accounting is *not* merely double-entry book-keeping. Accounting, it has been insisted, is utilitarian. It is, to use one of the favourite phrases of the profession, 'a practical subject'. This is true enough, but it is important to recognize the dangers of too much emphasis upon immediate practicality. In the words of Professor Vatter:

'Worse, when we are faced with a complex problem that demands more careful analysis than we are willing to give it, we get "practical" about it - that is, we assume away some of the issues, simply because we do not know how to deal with them, or because we are unwilling to take the trouble to learn what we ought to know. The world, and each of our respective businesses, is so full of problems that it is not uncommon to find those problems solved by the most convenient means - which is to ignore them! We want simple answers and we get simple answers, even if they must be made simple by ignoring the questions!'<sup>4</sup>

## Accounting 'Conventions'

The reaction of the accountancy profession to Garcke and Fells' *Factory Accounts* is a good example of this tendency. A review of the first edition in *The Accountant* (May 5th, 1888, page 278) stated that the book was more theoretical than practical and that it was pedantic and involved 'in the nature of a work on political economy'. The claim that stock balances should be as readily ascertainable as cash balances was regarded as an unattainable ideal. The fifth edition did not differ greatly from the first. The review of this edition in *The Accountant* noted that the book possessed 'the material advantage of

<sup>3</sup> '... it is not better to recognize the limitations of double entry, to think of it as just one statistical device and a fairly simple one at that? As accountants we have, and need to have, more tools than this'. (R. S. Edwards, 'The Rationale of Double Entry - II'. *Accountancy*, October 1939, at page 8.)

<sup>4</sup> William J. Vatter. 'Tailor-Making Cost Data for Specific Uses'. *N.A.C.A. Bulletin*, 1954 Conference Proceedings; reprinted in *Readings in Cost Accounting, Budgeting and Control*. Ed. W. E. Thomas. (South Western Publishing Co, Cincinnati, second edition, 1960.)

<sup>1</sup> F. Sewell Bray. *Four Essays in Accounting Theory*. (Oxford University Press, 1953, at page 4.)

<sup>2</sup> Trevor R. Johnston. 'The Nature of Accounting Principles'. (*The Australian Accountant*, January 1957, at page 11.)

being founded upon practice rather than theory'.<sup>1</sup>

Some modern textbooks include a chapter or so on the 'conventions' which are said to underlie accounting practice. These conventions, or assumptions, are usually stated to be as follows:

- (a) the accounting entity convention – an undertaking is regarded as being distinct from its proprietorship
- (b) the historical record convention – accounting is the recording of past happenings
- (c) the valuation convention – accounts are recorded in terms of the monetary unit
- (d) the constant value of money convention – any instability in the monetary unit is ignored
- (e) the continuity of activity (or going concern) convention – an enterprise is assumed to have an indefinite life
- (f) the accounting period convention – the life of an enterprise can be split into periods for the purpose of income measurement
- (g) the realization convention – profit arises at the point of sale.

### Assumptions not always Valid

It is fairly easy to show that these assumptions are not valid in all circumstances and that accountants do not in fact always make them. Nor, indeed, is there any reason why they should. The examples which follow are not intended to be exhaustive.

The assumption of the accounting entity was apparently not made by book-keepers in Tudor England.

... the distinction between business and private affairs would have seemed meaningless to a sixteenth-century merchant, who was not accountable to anyone but himself'.<sup>2</sup>

Nor is this assumption made in modern bankruptcy accounting.

It may be true that financial accounting is concerned solely with the recording of past happenings, but it is difficult to see how standard costing and budgeting can be so described.

Accounts need not, and have not always been, kept in terms of a monetary unit, although in most cases they obviously will be. Some stock records (e.g. bin cards) are normally kept in quantities only.

The assumption that the value of money is constant is obviously not always valid and has given rise to much criticism especially since the Second World War.

<sup>1</sup> See R. S. Edwards: 'Some Notes on the Early Literature and Development of Cost Accounting in Great Britain'. *The Accountant*, September 4th and 11th, 1937, at pages 313 and 343.

<sup>2</sup> Peter Ramsay: 'Some Tudor Merchants' Accounts', page 201, Ed. A. C. Littleton and B. S. Yarney, *Studies in the History of Accounting*. (Sweet & Maxwell, London, 1956.)

The continuity of activity and accounting period assumptions are not valid in accounting for company liquidations, bankruptcies and 'closed ventures'.

The realization assumption falls down when we are dealing with unfinished long-term contracts. How can the assumption be reconciled with the normal practice of taking some profit into account before the contract is finished?<sup>3</sup>

### Is there any Accounting Theory?

Is accounting then merely a collection of practical procedures? Can there be, in fact, any accounting theory? It is suggested that there must be if we mean by 'theory' attempting to explain *why* accountants do certain things. Most textbooks on accounting go to great lengths to explain *how* but pay much less attention to *why*.

It has been suggested that there is no body of 'fundamental principles' or 'basic postulates' underlying accounting procedures. There are, in fact, only assumptions. For example, if a business is a going concern with no prospect of liquidation then the continuity of activity convention is valid and useful. If the general price level is more or less stable then the constant value of money convention is valid and useful. But in other circumstances these conventions are not valid and are not useful and should be discarded.

Accounting, then, is based on assumptions. It is difficult, therefore, to agree with Mr Harry Norris's statement that:

'Conventions do indeed exist in the practice of accountancy, but they are only admissible on grounds of convenience, and, in the last resort, are governed by logical principles.'<sup>4</sup>

Once it is admitted that accounting is based on assumptions, then the next step is to try to make these assumptions explicit. It is not a very great exaggeration to say that both economists and accountants make assumptions but that the economists' assumptions are usually explicit whilst those of accountants are nearly always implicit.

It is suggested, therefore, that the most fruitful approach to accounting research is: (1) to realize that accounting is based on assumptions, (2) to make these assumptions explicit, (3) to consciously change the assumptions if circumstances require it.

<sup>3</sup> For a criticism of the realization assumption with regard especially to investments, see Kenneth MacNeal: 'What's Wrong with Accounting?' (*The Nation*, New York, October 7th and 14th, 1939; reprinted in *Studies in Accounting*, Ed. W. T. Baxter.) (Sweet & Maxwell, London, 1950.)

<sup>4</sup> Harry Norris. *Accounting Theory*. (Pitman, London, 1946, page 6.)



# Weekly Notes

## New President of the Institute

**MR PAUL FRANCIS GRANGER, F.C.A.**, a partner in the firm of Mellors, Basden & Mellors, Chartered Accountants, of Nottingham, was elected President of The Institute of Chartered Accountants in England and Wales at the meeting of the Council held last Wednesday.

Educated at Oundle, where he played in the school XI and subsequently gained his county colours at hockey, Mr Granger was articled to the late Mr T. G. Mellors, F.C.A., who was President of the Institute in 1924. He was admitted an Associate of the Institute in 1928 and after spending some years in London with Messrs Price Waterhouse & Co, he returned to his present firm, becoming a partner in 1933. He was elected to fellowship in 1938, and became a member of the Council in 1950.

Mr Granger was chairman of the District Societies Committee from 1959 until his election as Vice-President of the Institute in 1960. He was also vice-chairman of the Investigations Committee from 1958 until becoming Vice-President, and has served on the Applications, Examination, Finance, General Purposes and Parliamentary and Law Committees. He is a member of the Executive Committee of the Chartered Accountants' Benevolent Association.

Mr Granger was commissioned in the Territorial Army in February 1939; from the outbreak of war he served in England until 1941, when he went to Baghdad as Staff Captain of his Brigade, subsequently becoming a D.A.Q.M.G. in the 10th Army and Paiforce. He was seconded in 1943 to the Public Relations Bureau, Tehran, for administrative duties, becoming an Attaché at the British Embassy there and later Deputy Director of Public Relations.

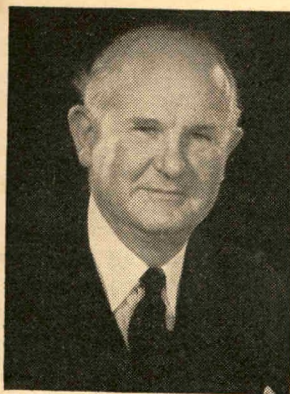
By his membership of the Council of the University of Nottingham, Mr Granger continues a family association: his father was Professor of Classics at the University College where he was also Vice-Principal for many years. From 1933 to 1938, Mr Granger was honorary secretary of the Nottingham Society of Chartered Accountants and was its President in 1949 and 1950.

He is a director of a number of companies and is interested in various charities.

We have pleasure in including as a supplement to this issue a reproduction of a recent portrait of the new President.

## The New Vice-President

**MR PERCY FREDERICK CARPENTER, F.C.A.**, senior partner in the firm of W. B. Keen & Co, Chartered Accountants, of London, is the new Vice-President of the Institute.



Mr P. F. Carpenter

Mr Carpenter, who is aged 59, is the second son of the late Mr Frederick John Carpenter, F.C.A. Educated at St Marylebone School, he was articled in 1918 to the late Mr J. B. Reeves, F.C.A. He gained first place in the Intermediate examination in November 1920, was admitted an Associate of the Institute in 1923 and elected to fellowship in 1934.

Since his election to the Council of the Institute in 1947, Mr Carpenter has served on most of its committees. He was a member of the District Societies Committee from June 1947 to June 1953; the Disciplinary Committee from December 1949 to June 1953; the Library Committee from July 1947 to June 1958, being chairman from 1954 to 1957. When elected Vice-President he was chairman of the Examination Committee and the Summer Course Committee; vice-chairman of the Investigation Committee and a member of the Articled Clerks' Committee. He was a member of the Taxation and Research Committee from 1951 to 1956.

In 1949-50 Mr Carpenter was a member of the Board of the Civil Service Commission; he has served as an advisory accountant to the Railway Assessment Authority and in 1947 was a member of the Palmer Committee on prices of Building Materials. Mr Carpenter is a Fellow of the Royal Statistical Society and of the Institute of Arbitrators and is an Honorary Fellow of the Zoological Society of London. He is a member of the Court of the Guild of Freemen of the City of London.

## Cost Accountants' New President

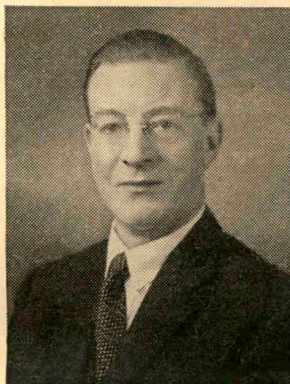
**THE** new President of The Institute of Cost and Works Accountants is Mr Francis Maurice William Hird, F.C.A., F.C.W.A. His election took place at the Institute's annual general meeting held in London last Saturday.

Mr Hird, who is secretary of Frederick Smith & Co, Wire Manufacturers Ltd, of Halifax, was educated at Buxton College and in Manchester. Articled with Messrs A. A. Gillies & Co, Chartered Accountants, of Manchester, he was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1931 and was elected to fellowship in 1960. In 1935 he was admitted an Associate of The



stitute of Cost and Works Accountants and became Fellow in 1940.

Mr Hird has been a member of the Council of the I.C.W.A. for twenty-one years and is particularly interested in the encouragement of young entrants to the profession. As chairman of the Training and Educational Facilities Committee, he has contributed greatly to the success of the Institute's summer schools and has shown a special interest in the pre-examination courses organized by the Institute's branches. A director of the Iberian Consortium Ltd which he helped to form



Mr F. M. W. Hird

in 1956 and which is engaged in extending British trade in the Iberian Peninsula and Latin America, Mr Hird has for a number of years also served on the East and West Ridings Regional Council of the Federation of British Industries. He is treasurer of the Loyal Georgian Society - the oldest registered friendly society in the country.

Mr William Bishop, C.A., F.C.W.A., senior partner of the firm of William Bishop & Co, Chartered Accountants, of Edinburgh, was re-elected a Vice-president of the Institute, and Mr Charles Eric Gower, F.C.A., F.C.W.A., A.M.B.I.M., chief cost accountant of The British United Shoe Machinery Co Ltd, Leicester, was also elected a Vice-President.

### Simpler Pensions Procedure

A SIMPLER procedure for preserving the pension rights of certain employees moving from one contracted-out employment to another either under the same employer, or within a group of employers all using the same pension scheme is proposed in draft amendment regulations<sup>1</sup> published last Saturday. Employees who have been contracted-out of the graduated part of the national insurance scheme must have pension rights equivalent to the maximum under the graduated part of the national insurance scheme preserved for them when their employment ends. The detailed rules about preservation were set out in regulations made in June 1960.

One method of safeguarding an employee's pension rights when he moves from one contracted-out employment to another is to transfer them from the pension scheme covering the old employment to that covering the new - or, if both employments are covered by the same scheme, to maintain in that scheme the rights so far acquired as though they had

been earned in the new employment. Unless both employments are under the same employer and covered by the same pension scheme, the Ministry must be notified of the change and the scheme covering the second employment must issue a certificate that the transfer of rights has taken place.

The Minister can already dispense with or modify these requirements about certificates in relation to statutory schemes. It is now proposed that he should have similar power to dispense with notification and certificates of transfer in two other types of transfer:

- (1) where the change of employment is under the same employer but involves a change of pension scheme, e.g. a promoted employee who moves from the works scheme to the staff scheme;
- (2) where there is a change of employer but the same scheme covers both employments, e.g. an employee who moves within an associated group of companies all of whom use the same pension scheme.

Employers wishing to be given such a dispensation would have to apply to the Minister so that he could consider the circumstances.

Representations on the draft regulations should be submitted not later than June 30th to the Secretary, National Insurance Advisory Committee, 10 John Adam Street, London, WC2.

### More Evidence to the Jenkins Committee

THE minutes of evidence taken before the Company Law Committee on the nineteenth day of its public sessions, March 23rd, have now been published.<sup>1</sup> The whole day was devoted to examining two American witnesses: Mr Manuel F. Cohen, Director of the Division of Corporation Finance, Securities and Exchange Commission, Washington, and Professor Louis Loss, now of the Law School of Harvard University and formerly Associate General Counsel of the Securities and Exchange Commission. Professor Loss played a leading part in the drafting of uniform securities laws which are gradually being brought into force in the United States.

The minutes include as an appendix a memorandum prepared by the United States Securities and Exchange Commission dealing with the organization and functions of the Commission. The memorandum states that it should be considered with the note by Professor Gower (a member of the Committee) which was published as an appendix to the minutes of the fourteenth day's evidence. It goes on to say that Professor Gower's note is penetrating and generally in accord with the views of United States observers of the activities and responsibilities of the Commission.

The evidence is of very great interest. Although the witnesses generously conceded that the U.S.A. had learned much from Britain, there is no doubt that there is a great deal which they can teach this country.

<sup>1</sup> Draft National Insurance (Non-participation - Assurance Equivalent Pension Benefits) Amendment Regulations, 61. H.M.S.O. Price 6d.

<sup>1</sup> H.M.S.O. 4s net.



### Institute of Statisticians

JUST as with accountants so the supply of statisticians has in recent years fallen short of demand. But whereas the supply and training of qualified accountants has been in the hands of the professional bodies, there has been no comparable organization for statisticians.

In practice, most professional statisticians entered the profession after a university training in mathematics or economics. The Royal Statistical Society, to which many statisticians belong, is a learned society and is not concerned with professional training. The last war led to a great increase in the demand for statistically trained personnel and to meet this need the Association of Incorporated Statisticians was formed in December 1948. There are two grades of members, both of whom are required to have passed

the Final examination of the Association. Members under 30 years of age then become Associates subject to a minimum period of two years' statistical work; those over 30 with at least five years' professional statistical experience become Fellows.

The Association has also provided a qualification by examination for registered statistical assistants, that is, statistical clerks who do not intend to take any further examination. Since its formation the Association has grown steadily, and the rapidly increasing number of candidates at its annual examinations held both at home and in the Commonwealth is an indication of its standing. Recently the Board of Trade has given its assent to a new title for this body, the Institute of Statisticians. Its President is Lord Beveridge and Professor Barnard of Imperial College in the University of London is the present Chairman.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 80

IN view of our forthcoming issue of Ordinary stock, we invited our auditor to discuss the appropriate premium and its subdivision into cash and bonus proportions. He brought with him the chief of his secretarial department, who is reputedly a wizard on stock exchange strategy, and our directors listened interestedly to their analysis of the money market.

I was noting with amusement that we were all dressed in business-like grey flannel suits, as it happened, when my attention fell on the varied range of ties. Our chairman had his school tie with the dragon crest, the managing director—the maroon and blue of the engineers, and our deputy-chairman—a low-handicap golfer—is proud of his hole-in-one special. My registrar wore his R.A.F. tie, and the auditor's expert had the new silver-on-black secretary-bird of the C.I.S. They all looked distinguished.

Only we two accountants had no sartorial evidence to show our profession; it seemed rather a pity.

I said as much to the auditor later, but he didn't agree. 'Our people don't go in for that sort of thing,' he said crushingly. 'Really, it wouldn't do at all; there would be complications.'

Brooding over a design for a chartered accountant's tie led naturally to consideration of our crest. The present model has an austere old-world simplicity, but the scales and rudder hardly do justice to the Institute's wide-spread ramifications, and the motto *recte numerare* is dignified but too terse. Heraldic elaboration is worth consideration.

Clearly, our heart-shaped shield should include additional quarterings and a fringe of supporting figures. Instead of such symbols as Justice or Commerce, I suggest a shareholder, *dexter*, holding a treasure chest, *argent*, to indicate his primary function; and, *sinister*, a director clasping a sheaf of chips, *azure*. Their hands would join above the shield in a handshake of good fellowship, or.

The old canine tag would be exemplified by a watch-dog, *couchant*, beside the director, and a Revenue commissioner could recline beneath the shield with a basket of leeches, *gules*, and a bloodhound, *noir*, at his feet.

Quarterings for the shield present little difficulty. The scales again, of course, in pride of place, opposing the quill which typifies our precisely-phrased certificates. Then the rudder, with an impression of stormy seas around it, opposite a lamp which needs a whole chapter to explain its symbolism. There's learning, and our habit of supplying light without heat to an argument, and the midnight oil we burn during our moods of studious reflection.

I tried to include a crystal ball, to stand for our job of financial forecasting, but it looked like a full moon, which has undesirable implications. Perhaps some stars instead, representing astrology, and also, of course, every accountant has thanked his lucky stars in his time, when something that could have gone wrong went right. Instead of the usual crested helmet, an electronic brain, wearing a judge's wig to denote our judicial impartiality, and garlanded with punched tape, would surmount the device.

At this stage I wanted to stress our international affiliations, but it wasn't easy. The addition of bagpipes or harps introduced complications; maple leaves, koala bears, or other flora and fauna, became progressively worse; it was time to call a halt.

Our auditor said freezingly that a halt should have been called much earlier, so I said meekly that he was probably right. But I'm still sorry that we haven't got that tie!

# Reviews

## How to Make Money on the Stock Exchange

by KENNETH S. MOST, LL.B., F.C.A. (Museum Press Ltd, London. 15s net.)

Fortunes are not usually made on the stock exchange (or on the turf) by writers and journalists who offer much publicized practical advice to other people on how to make a fortune on the stock exchange (or on the turf). It is the men who move in well-informed circles, who quietly and methodically study markets and form and who know when to keep their conclusions to themselves and when to apply them to the test that generally amass the fortunes which, with characteristic reticence, they never talk about.

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# Finance and Commerce

## From Italy

IT is not often that the opportunity occurs for presenting the accounts of a foreign company in English. For our reprint this week, therefore, we take advantage of the recent receipt of the report for 1960 of Snia Viscosa of Milan, the great Italian company in the forefront of the man-made fibres industry. Its full name is Società Nazionale Industria Applicazioni Viscosa and its size is indicated in its capital of 40,031,250,000 lire (lire 1,735 to the £).

This report is indeed a monumental work in many respects. In weight alone, it runs to seventeen ounces. It is more than a company report. It is a digest of statistics of the man-made fibres industry in three charts and nine tables. Charts give world production of man-made fibres, the Italian production and the textile trade balance. The tables give world production figures – by countries – for rayon, staple fibre, etc. And among the pictures in colour is one of 16 inches by 11 inches of the Varedo group of plants covering over sixty-two acres – with the snow-covered mountains in the far distance.

The auditor's report is interesting and, as something far removed from the formal wording to which British readers are accustomed, is set out in the reprint in its entirety.

## Eagle Star

WITH the end-1960 accounts of the Eagle Star Insurance Co Ltd, the £3,700,000 'Premium on acquisition of shares in a subsidiary, less amount written off' disappears from the assets side and share premium account has been reduced by the same amount. This item arose in connection with the acquisition in 1959 of the shares of Midland Employers' Mutual Assurance Ltd. Eagle Star issued 2,575,500 10s ordinary shares worth approximately £6½ million in exchange for 257,550 Midland shares.

In consequence of Section 56 of the Companies Act, as Sir Brian Mountain, the chairman, pointed out at the time, it was necessary to carry the share premium of over £5 million to capital reserve which could not be disposed of without going through the procedure for capital reduction or as otherwise provided by the section.

So far as it had not been written off, Sir Brian added, the counterpart of the reserve appeared among the assets in Eagle Star's own balance sheet as part of the value of the shares in subsidiary companies and also as a special item in the con-

solidated balance sheet where it would stay unless written off out of profits available to the shareholders.

He saw some merit in these restrictions when shares were issued at a premium for cash but when two organizations merged and exchanged shares there seemed no point in forcing the acquiring company to capitalize what could only loosely be described as part of the goodwill value of part only of the combined organization.

During the year of the present accounts, the company made the necessary application to the Court and the adjustment in the accounts has been made. Sir Brian remarked that the matter would not arise were both organizations to exchange shares for those of a third company, created for the purpose, but the essence of the transaction was the same in each case. He hoped that the point involved was one that the Jenkins Committee may consider so that others should not feel compelled in future to carry through a similar operation, including application to the Court, with its attendant waste of time, money and effort.

## SNIA VISCOSA REPORT OF THE AUDITORS

### To the Shareholders,

The increase in capital you resolved upon at the Extraordinary Meeting of August 1, 1960 was duly performed in the subsequent month with brilliant success.

The profit and loss account for the year 1960 which the Board of Directors have submitted to your approval shows a net profit of Lire 4,342,713,188. Compared to Lire 2,960,437,428 for the previous year, the year's result significantly marks the degree of efficiency your Company has achieved on keenly competitive world markets.

The headings of the assets and liabilities, and of the profit and loss account submitted to you can be condensed in the following summary:

Assets . . . . .	Lire 187,233,076,353
Liabilities . . . . .	Lire 33,611,526,524
Life annuity, contingency and staff leaving funds . . . . .	3,590,321,222
Depreciation . . . . .	60,621,453,770
Share capital, reserves, credit balance and profits brought forward . . . . .	85,067,061,649
Net profit . . . . .	Lire 4,342,713,188

### Profit and Loss Account

Gross profit . . . . .	Lire 15,552,255,775
General expenses and interest on our bonds . . . . .	Lire 5,209,542,587
Depreciation . . . . .	6,000,000,000
Net profit resulting . . . . .	Lire 4,342,713,188

Securities deposited and depositors of securities balance at  
Lire 19,564,893,530.

Your Board of Directors' exhaustive and clear report has enlarged upon the results of the year and upon the variations of the different balance sheet items. In our capacity as Auditors we certify that the figures appearing on the balance sheet and on the profit and loss account correspond exactly to the detail and aggregate figures obtained from the Company records. The books have been kept by modern and commendable methods.

We concur on the criterion of evaluation followed by your Board and on the evaluation of the accruals for the year, which have been posted pursuant to the provisions of law.

Ordinary depreciation has been applied to the limit of fiscal percentages allowed, and advance depreciation has also been made to the amount of Lire 2,450,858,873.

Further we attest that the staff leaving fund has been readjusted to bear fully upon the Company pursuant to the provisions of the recent Act No 1561 of December 18, 1960.

Accordingly we invite your approval to the balance sheet and profit and loss account for the year 1960, trusting your agreement will likewise show your recognition and appreciation towards all of your executives and staff for the results they have achieved,

THE AUDITORS.



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10th, 1961

THE  
ACCOUNTANT

723

SNJA VISCOSA  
BALANCE SHEET AS AT THE 31st DECEMBER 1960

ASSETS		ASSETS AND LIABILITIES		LIABILITIES	
<b>FIXED ASSETS</b>				<b>SHARE CAPITAL</b>	
Civil Buildings and Agricultural Land	L. 2,714,572,621			492,187 Preference Shares	
Buildings, Land, Plant and Machinery	91,653,671,775			25,242,188 Ordinary Shares	
Furniture and Fittings		L. 94,368,244,397		7,625,000 Privileged Shares	
				33,359,375 Share of Lire 1,200 each	L. 40,031,250,000
				<b>LEGAL RESERVE</b>	3,009,185,629
				<b>SHARE PREMIUM RESERVE</b>	13,725,000,000
				<b>EXTRAORDINARY RESERVE</b>	4,213,981,120
				<b>CREDIT BALANCE CURRENCY REVALUATION</b>	
				Corresponding to Revaluation of Fixed Assets	L. 12,993,497,395
				Corresponding to Revaluation of Share Holding	10,991,593,221
				<b>DEPRECIATION RESERVE</b>	
				Previously	L. 54,621,453,770
				Year 1960	6,000,000,000
				<b>LIFE ANNUITY AND CONTINGENCY FUND</b>	60,621,453,770
					1,590,321,222
				<b>STAFF LEAVING FUND</b>	2,000,000,000
					102,554,284
				<b>PROFIT BROUGHT FORWARD FROM PREVIOUS YEARS</b>	
					13,211,513,638
				<b>SUNDRY CREDITORS</b>	
				Amounts Due to Associated Companies	L. 150,981,613
				Due to Suppliers	5,981,844,049
				Sundry Creditors	4,535,896,776
				Due to Banks at medium term	2,220,000,000
				Due to Istituto Mobiliare Italiano	143,445,600
				Unpaid Dividend	17,108,300
				Unpaid Interest and called Bonds	162,237,300
				<b>BONDED LOAN 6%</b>	
				1949 Issue	L. 3,558,030,000
				1957 Issue	5,561,950,000
				<b>ACCUALS AND CONTINGENCIES</b>	
					<b>NET PROFIT</b>
				<b>DEPOSITORS OF SECURITIES (As per Contra)</b>	
				Directors' Qualification Shares	L. 3,606,000
				Guarantees	11,394,789,430
				Various Securities	8,166,498,100
				<b>SECURITIES DEPOSITED (As per Contra)</b>	
				Directors' Qualification Shares	L. 3,606,000
				Guarantees	11,394,789,430
				Various Securities	8,166,498,100
				<b>PROFIT AND LOSS ACCOUNT</b>	
				<b>RATES, TAXES, GENERAL EXPENSES AND SUNDRIES</b>	
				Rates and Taxes	L. 1,878,238,901
				General Expenses and Sundries	2,557,398,817
				Interest	773,904,869
				<b>DEPRECIATION FUND</b>	
					5,209,542,587
					6,000,000,000
					4,342,713,188
					<b>NET PROFIT</b>
					L. 15,552,255,775
				<b>PROFIT AND LOSS ACCOUNT</b>	
				<b>GROSS PROFIT ON SALES</b>	L. 14,617,055,390
				<b>DIVIDENDS AND INTEREST RECEIVED</b>	
					935,223,382
					L. 15,552,255,775

Associata General Manager  
C. SERASSIPresident  
F. MARINOTTIAuditors  
P. AGOSTONI, P. COLOMBO, A. CORRADORI, P. L. MARTINELLI, G. SEVERGNINI

\_\_\_\_\_



*Photo: Dorothy Wilding, London*

PAUL FRANCIS GRANGER, F.C.A.

President

The Institute of Chartered Accountants in England and Wales •  
1961



### Too Much?

SOONER or later it was bound to happen – a shareholder protesting that some of his company reports, in effect, give him mental indigestion. Writing to *The Financial Times*, he refers to two splendidly produced brochures totalling between them nearly 100 pages and costing over 1s in postage. 'Quite frankly', he says, 'I have neither the time to wade through these reports nor the understanding to get much from them.' And signs himself 'Headmaster', a *nom de plume* which, of course, suggests more than average intelligence.

How far is 'Headmaster', who apparently finds time to read the financial press, a typical shareholder? One rather feels that he is in a minority. Doubtless, there are many who derive more satisfaction from a readable and interesting chairman's statement with the accounts and a few pictures than in the movement in net current assets.

If he wrote to his stockbroker for advice, the broker's 'stats.' department would not bless him if the only information they had was limited to

the annual report in the style of thirty years ago. Evidence before the Jenkins Committee shows the demand for information – and more information. The generation that has produced the Society of Investment Analysts cannot put the clock back.

### Where There's a Will

What is wanted more than anything now is more frequent reporting. To hope for 'quarterlies' is probably looking too far ahead, although quite a number of companies now manage to produce them. But a statement on business conditions and profit figures half-way through the year is quite possible for the majority of companies. All the talk about 'seasonal influences' and 'unadjusted figures' sounds overmuch like good old English conservatism unwilling to break new ground. There was the same airing of 'difficulties' in the days before the 1948 Act when consolidation was being urged as a necessary, though then voluntary, information service. Yet the 'impossible' has been achieved – and always will be when there is sufficient 'will-power'.

## CITY NOTES

IN the search for a new lead in the stock-markets there is a tense struggle between the short-term 'bears' and the long-term 'bulls' in industrial equities. The bears point to the string of adverse factors mentioned in these notes last week – the balance of payments position, pressure on gold reserves, rising industrial costs and the patchy performance of industrial production.

It is probably in the latter factor that the real trouble for the stock-market lies. There is at present too much emphasis on 'the market' and not enough on the performance of different industries and varying companies within those industries. There is still a tendency to apply one company's or one industry's experience, to industry and to the stock-market as a whole.

This matter apart, however, the assumption is growing that before the end of the year, and probably by next autumn at the latest, the Chancellor of the Exchequer will make use of the interim powers he took under the last Budget. In that respect, this week's increase in cigarette and tobacco prices is intriguing. The tobacco trade could well be making its price move before it is too late. A penny on a packet of twenty after the Chancellor had put on extra duty would not be a particularly astute move. At least moving now insures the trade's profits, to some extent, against possible loss of trade following an increase in duty.

### RATES AND PRICES

Closing prices, Wednesday, June 7th, 1961

Tax Reserve Certificates: interest rate (26.11.60) 3%

#### Bank Rate

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

#### Treasury Bills

Mar. 31	£4 9s 8.41d%	May 5	£4 7s 4.27d%
April 7	£4 8s 8.68d%	May 12	£4 6s 5.04d%
April 14	£4 9s 7.69d%	May 19	£4 8s 3.18d%
April 21	£4 9s 9.01d%	May 26	£4 8s 8.74d%
April 28	£4 8s 1.71d%	June 2	£4 8s 9.61d%

#### Money Rates

Day to day	3½-4½%	Bank Bills	
7 days	4½-4½%	2 months	4½-4½%
Fine Trade Bills		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

#### Foreign Exchanges

New York	2.79-1½	Frankfurt	11.07½-2
Montreal	2.75½-1½	Milan	1731-1½
Amsterdam	10.02½-1½	Oslo	19.99½-1½
Brussels	139.52½-53½	Paris	13.67½-1½
Copenhagen	19.32½-33½	Zürich	12.06½-1½

#### Gilt-edged (revised List)

Consols 4%	62½	Funding 3% 59-69	81½
Consols 2½%	40½xd	Savings 3% 60-70	78½
Conv'n 5½% 1974	92½xd	Savings 3% 65-75	71½
Conversion 5% 1971	92½	Savings 2½% 64-67	83½
Conversion 3½% 1969	84½	Treasury 5½% 2008-12	90½
Conversion 3½%	55	Treasury 5% 86-89	85½
Exchequer 5½% 1966	99½	Treasury 3½% 77-80	70½
Funding 5½% 82-84	96½	Treasury 3½% 79-81	70½
Funding 4% 60-90	87½	Treasury 2½%	39½
Funding 3½% 99-04.60	88½xd	Victory 4%	97½
Funding 3% 66-68	82½	War Loan 3½%	54½



# Current Law

## Construction of Objects Clause in Memorandum

IN *Anglo-Overseas Agency Ltd v. Green and Another* ([1960] 3 All E.R. 244) a preliminary point arose, and was tried as a preliminary issue, as to whether the acquisition by the plaintiff company of a building lease was *ultra vires* the company. The objects for which the company was established were set out in clause 3 of its memorandum of association, the clause beginning 'The objects for which the company is established are': then there followed a number of paragraphs lettered from (A) to (S). Paragraphs (A) and (B) made it plain that the main object of the company was to act as exporter and importer of goods.

Salmon, J., said that it was plain that the business of property development could not be regarded as ancillary to this 'main object'; it followed that if the paragraphs which came afterwards were merely ancillary to and limited by paragraphs (A) and (B), they could not empower the company to engage in the business of property development. It was, however, contended that the 'main objects' rule of construction, viz. that where the memorandum expresses the objects of a company in a series of paragraphs and one, or the first two or three, of those paragraphs appear to embody the 'main object', all the other paragraphs are treated as merely ancillary to this 'main object', and as limited and controlled thereby, was displaced by the concluding words of clause 3, namely: '... the intention is that the objects specified in any paragraph of this clause shall, except where otherwise expressed in such paragraph, be in no wise limited or restricted by reference to or inference from the terms of any other paragraph or the name of the company.' Salmon, J., said that if these words did not mean that each paragraph of the objects clause was to be read in isolation and was not to be limited or restricted by any other paragraph, then he did not know what they did mean; he accordingly held that the 'main objects' rule was excluded and that the plaintiff therefore had power to acquire a building lease. In so deciding, his lordship was guided by *Cotman v. Brougham* ([1918] A.C. 514), and rejected *Stephens v. Mysore Reefs (Kangundy) Mining Co Ltd* ([1902] 1 Ch. 745) which had already been doubted by textbook writers.

## Appeal from Rejection of Proof

IN *Re Trepcia Mines Ltd* ([1960] 3 All E.R. 304, (note)) the Court of Appeal allowed an appeal by an applicant whose proof of debt in the winding up of the company had been rejected. Hodson, L.J., in

giving the judgment of the Court, referred with approval to *Re Kentwood Constructions Ltd* ([1960] 2 All E.R. 655, note), noted in *The Accountant*, November 19th, 1960. The Court of Appeal has thus affirmed the proposition that where an appeal is made from the rejection of a proof, it is the duty of the Court to consider the matter *de novo* and to quantify the applicant's claim. The case was accordingly referred back to the Companies Court for the claim to be further considered and quantified.

## Equity of Redemption Destroyed

THE plaintiff in *Cotterell v. Price and Others* ([1960] 3 All E.R. 315) was a second mortgagee, the first and second defendants were first mortgagees, and the third defendant was the mortgagor; a receiving order had been made against him in 1938, and he was still an undischarged bankrupt. The second mortgage was created in 1930, and no interest was ever paid under it. The plaintiff conceded that against the third defendant his remedies by action under the second mortgage were statute-barred. He contended, however, that as he had served on the trustee in bankruptcy a notice under Rule 13 (c) of the rules set out in Schedule 2 to the Bankruptcy Act, 1914, requiring the trustee to elect whether he would or would not redeem the second mortgage and the trustee had not within six months exercised his option, he was entitled as against the first and second defendants to redeem the first mortgage; also that he had as against them a statutory right to assert his right to redeem as a result of the notice served under Rule 13 (c).

Buckley, J., held that as soon as the plaintiff's rights of action against the mortgagor became statute-barred (in 1942) he lost his estate and interest in the mortgaged property, and with it his status as mortgagee: the equity of redemption, being incidental to that status, could not survive in gross the demise of the second mortgage. His lordship further held that the notice served under Rule 13 (c) was ineffective as, by the date when it was served, the plaintiff had ceased to be a secured creditor for the purposes of the rules in Schedule 2. While it was true that time ceased to run under the Limitation Act, 1939, when a receiving order was made, this doctrine operated only in the bankruptcy, and the rights and remedies of secured creditors, which existed outside the bankruptcy, were not affected by the making of a receiving order.

## Identity of party to Contract

INGRAM and Others v. Little ([1960] 3 All E.R. 332) provides a good example of the way in which one of two innocent parties can suffer as a result of the actions of a dishonest person. The plaintiffs were approached by a swindler (who, at the time of this action, had neither been traced nor identified) with a view to the purchase by him of their motor-car. The plaintiffs desired

to be paid in cash and one of them, who was negotiating on behalf of herself and the others, refused a cheque offered by the swindler. He then held himself out to be a certain person living at a certain address. Another of the plaintiffs confirmed from the telephone directory the existence and address of the person named, and the plaintiffs then accepted a cheque and the swindler took the car. The cheque was dishonoured, and the swindler sold the car to the defendant, who took it in good faith and for value. The plaintiffs sued for a declaration that the car was their property and for the return of the car or for its value or for damages for its detention; and, alternatively, claimed damages for conversion.

The trial judge held that they were entitled to succeed and the Court of Appeal (Sellers and Pearce, L.J.J., Devlin, L.J., dissenting) dismissed an appeal by the defendant. The plaintiffs' case was that they never intended to contract with the swindler, but with the person whom he held himself out to be and who, although a real person, was completely ignorant of the whole transaction. The Court of Appeal was satisfied that the offer to sell on payment by cheque was made only to the person whom the swindler represented himself to be and that, as he knew this, the offer was not one capable of being accepted by him; this being the case, there had been no contract and the property in the car had never passed to the defendant.

#### Variation of Trusts: Investment Clause

**RE Thompson's Will Trusts** ([1960] 3 All E.R. 378, note) is referred to here only because the report sets out in full the investment clause which was approved by Cross, J., in a summons under Section 1 of the Variation of Trusts Act, 1958, wherein the applicants sought enlargement of the trustees' investment powers so as to permit them to invest in equities. It thus provides a useful precedent of the type of case which the Court is likely to approve. The clause approved in the present case was, indeed, drafted on certain accepted lines, with the difference that it set out each stock exchange by name instead of using the phrase 'any recognized stock exchange'.

#### Safe System of Work

**DIXON v. Cementation Company Ltd** ([1960] 3 All E.R. 417) is an important case on the law of master and servant because the Court of Appeal held that where an employee in an action against his employer contends that the defendant has failed to provide a safe system of work, it is not necessary for the plaintiff in his pleadings to set out what the proper system of work is. The plaintiff lost an eye as a result of being struck by a nail which a fellow employee was attempting to hammer into a piece of wood which the plaintiff was holding; owing to the fact that they were working in a tunnel, the fellow employee had to bang in the nail from a rather

unusual position, as a result of which he failed to strike it properly and caused it to fly out.

On the facts, the judge of first instance had been satisfied that the system used was unsafe and the Court of Appeal had no cause to disturb this view. The defendant's case that what was a proper system should be pleaded was based on a dictum of Viscount Simon, L.C., in *Colfar v. Coggins and Griffith (Liverpool) Ltd* ([1945] A.C. 197, 203), where he said with regard to the plea of failure to provide and maintain a proper system of work that to raise this issue the statement of claim ought to set out so far as was relevant what the proper system was, and in what relevant respects it was alleged that it was not observed. The Court of Appeal took the view that in that particular case there was no proper particularization of the allegation of negligence, and that it was in relation to facts of that sort that the dictum must be considered. It did not mean that in every case of this nature the plaintiff must undertake the burden of pleading, and proving, an alternative system which could have been adopted and which would have been safe. That was for the employer to provide.

#### Apportionment of Payment under Scheme of Arrangement

**BY** virtue of an arrangement made under Section 206 of the Companies Act, 1948, it was provided that the obligations of an English company in respect of arrears of interest and of interest on interest on debentures of the company should be cancelled, and that debenture stock, together with a sum in cash, provided by a Canadian company should be accepted by the debenture-holders in satisfaction of the principal owing under the debenture. It appears that this provision was inserted with a view to avoiding payment of income tax.

In *Re Morris's Will Trusts, Public Trustee v. Morris* ([1960] 3 All E.R. 548) the question for decision was whether debenture stock and cash received by the plaintiff as trustee should be treated as capital in his hands, or should be apportioned between capital and income. Cross, J., said that, although the provision referred to above was binding as between the company and its debenture-holders, it would, if conclusive, operate most unfairly as between those interested in capital and income, and was obviously inserted without thought of the position as between tenant for life and remaindermen under settlements made by debenture-holders. Applying the rule in *Re Atkinson, Barbers' Co v. Grose-Smith* ([1904] 2 Ch. 160), his lordship made a declaration that the plaintiff should treat as income a fraction of the cash and securities in his hands bearing the same proportion to the whole as the amount of the arrears of interest on the debentures of the English company and of the unpaid interest on such interest bore to the total sum of principal, interest, and interest on interest then secured by the debentures.

# Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

## Advertising and Taxation

SIR, - Mr Widdup's reply (May 27th issue) is typical of that 'fantabulous' world of advertising agencies where the illogical reigns, where ends and means are not quite what they seem and where soap doesn't clean but beautifies. He does not adduce a single fact in support of his claim that the TV tax will put a brake on the distribution services. Has no one told him that the finest advertisement for any product is the excellence of its quality.

In *The Financial Times* (26th May), Mr Johnstone, chairman, Audit Sales, stated that 'advertising by itself seldom sells products (his italics)'. This is confirmed at page 269 of *The Director* for February 1961 where an article on the cigarette industry concluded with these words,

'... the recent rise in sales of one of Britain's biggest brands after its advertising expenditure had been decimated. That, for an industry which spends about £5 million a year on advertising is a sobering thought.'

It could well be, taking decimated to mean one-tenth, that this article, in February 1961, was the origin of the Chancellor's TV tax fixed at 10 per cent.

Whose enterprise will be restricted by this tax? How will it hamper marketing in the light of Mr Johnstone's statement? Perhaps Mr Widdup does not realize that the readers of *The Accountant* are not exactly unintelligent; and that generalizations that will pass muster in the popular Press get deservedly short commons in the world of the professions.

Yours faithfully,

Sheffield, Yorks.

ANNE HALL.

## Stockbrokers and the Jenkins Committee

SIR, - In the many references in the Press to matters being considered by the Jenkins Committee, I have on no occasion seen any reference to one matter which appears to deserve consideration.

Under Section 161 (2), Companies Act, 1948, a firm of professional accountants is disqualified from acting as auditors to a public company if one of their principals is an officer or servant of that company. This restriction on the liberties of professional accountants has been accepted by the Institute and other accountancy bodies as being in the public interest.

No similar restriction has yet been imposed upon a firm of stockbrokers which would prevent them acting for a company, although one of their principals was a director of the company concerned. From a shareholder's point of view, I think this is unsatisfactory.

Thus it is possible for an application to the stock exchange by an existing company for a quotation for

additional shares to be made by the board without the necessary formalities first having been submitted to an independent firm of stockbrokers. Where the issue of shares has been made contrary to the company's articles of association, the shareholders will not be aware of the position until receipt of the annual report - probably many months after the event - and voting control may have been altered. Had the application been put forward through an independent firm of stockbrokers, the application would have been scrutinized, the error pointed out and corrected.

A further possibility of hardship and loss to shareholders could occur on a large scale in connection with transactions in the company's shares. There are opportunities for a director stockbroker to channel sales of shares to his co-directors, his friends or even to himself through nominee holdings by making up transactions in his office, when a better price might have been obtained by more persistent effort in the open market on behalf of his selling client.

I am sure that stockbrokers as a body are as honest as accountants and members of other professions. It is, however, important in the interests of the investing public that all possible safeguards should be provided and though some immediate sacrifices might have to be made, I feel that eventually stockbrokers would benefit from legislation similar to that applying to auditors.

Yours faithfully,

Weston-super-Mare. N. C. HARRISON, F.C.A.

## The Parker Report

SIR, - Mr Stott's lively observations (May 27th issue) seem to strike at the fundamental dilemma in training accountants for the future, a dilemma which the Parker Committee seriously underestimated.

The newly qualified accountant should be more than a mere technician. His usefulness to the business community is dependent on more than the efficient operation of the Companies' and Finance Acts.

Potentially his training and experience give the article clerk as sound a commercial background as could be found anywhere, yet the inflexibility of the present arrangements stifle and atrophy this potential. The conditions of office work and courses of study tend to reduce the clerk to a mechanic whose greatest assets need to be neat handwriting and a good memory. Surely the article clerk's training should enable him to see accountancy (including auditing) as part of the whole field of management, teaching him, furthermore, those modern techniques which industry and commerce demand of him?

Initiative needs direct encouragement, and the pious recommendations of the Parker Committee, that the eligibility of principals should be investigated,

attacks the problem from the wrong end. Mr Stott's brave proposals are, perhaps, too revolutionary to superimpose on so august a body as the accountancy profession, although I'm with him in spirit all the way. May I put forward the following suggestions, as indicators rather than a comprehensive plan.

- (i) Minimum wages according to location, experience and initial qualifications. These would, if pitched rather above the present levels, give the articulated clerks greater incentive, encourage principals to deploy labour more efficiently, and ensure, by supply and demand, that the unsuitable candidate was channelled elsewhere after, say, a probationary period of three months.
- (ii) Attendance while under articles at technical college, or preferably, university, for two academic sessions (in practice no more than sixty weeks), where accountancy would be studied in the context of economics and kindred subjects – on the broad principles of the present 'Universities Scheme'.
- (iii) The reorientation of the Institute's Final examination towards management techniques such as cost accounting, machine accounting, statistics and even industrial relations, with less concentration on the minute application of 'textbook' accountancy.

I would be the last to suggest that any of these ideas are especially novel, but it seems, judging from the unimaginative tone of the Parker Report, that even old ideas are better than none. At present the profession, in regard to training its successors, wanders along its own sweet way without adapting or improving upon the constructive value of the accountant. Surely, in the end, it is the business man who wags the accountant and not the other way round?

The outlook for us articulated clerks is not inspiring.

Yours faithfully,

*Students' Union,  
University of Southampton.*

C. H. MANSELL.

SIR, – A reply must be written to Mr Stott's letter of May 27th which contains a proposal which was no doubt put many times to the committee. Theoretically and superficially, his plan presents many advantages. It suffers from being impractical at the present time, in the near future, and possibly the far distance, for the following five reasons:

(i) During the first three months the clerk would be getting 'the feel of the work'. What would have to happen, as frequently happens now, would be for the principal or his staff to teach the rudiments of book-keeping under the stress of completing the job; a matter better dealt with immediately after articles by a course such as suggested by the Parker Committee.

(ii) It is noted the clerk should be paid at least £500 per annum. Before tax, the amount receivable for three months is £125. If the college is to be well equipped, the fee for the proposed course (including the cost of books) would need to be between £175 and £250 (depending on locality etc.). Who is going

to find the difference? Not all articulated clerks have parents who can afford this. Are we to ask the general body of taxpayers to finance the training of our profession?

(iii) If the clerk is to be paid at least £500 per annum for less than nine months' work (presumably he would want some holidays), the rate chargeable to any client to cover costs, let alone make a profit, would seem high for the services of a young and inexperienced man.

(iv) But the major defect to the proposal would be the provision of a central accounting boarding school or accounting college. Presumably in the case of the former, Mr Stott means central to an area, not just one, for there is an annual intake of over 2,500 new clerks each year. If there is to be only one, the finding of the accommodation is going to present somebody with a headache! Clearly one boarding school per district society will not be simple to arrange in some areas, e.g. London. With between two and three thousand new clerks each year, not counting failures from previous courses, the country on average would have to deal with a minimum of 500 to 750 students and with failures probably over 1,000 every three months. If Mr Stott re-reads the Parker Report, he will see how these are concentrated and how difficult the problem will be in London and the bigger towns. But, of course, such numbers presume the colleges never close!

(v) Finally, we come to the difficulty of staffing the colleges. If any sort of personal tuition is to be given, a large number of first-class tutors will be required. If theory and practice are not to diverge, such tutors must be part-time. Can Mr Stott suggest where good tutors in sufficient numbers can be found? Many universities and correspondence colleges will no doubt be pleased to hear.

No, sir, suggestions such as these will not help a sensible appraisal of the committee's work. While most people will have some criticisms of the content of the Parker Report, all will no doubt appreciate the immense effort and sacrifice of time which has taken place.

Yours faithfully,  
A PRACTICAL ACCOUNTANT.

#### B.U.P.A. Accountants' Group

SIR, – Readers may be interested to note that the British United Provident Association Accountants' Group has now been operating for six years and has over 900 contributors, together with members of their families.

B.U.P.A. is a nation-wide non-profit association, under the presidency of the Rt. Hon. Viscount Nuffield, G.B.E., F.R.S., and was formed in 1947 by the amalgamation of a number of provident associations, some of which had already been in existence for many years. The object of the Association is to shield its subscribers and their families against heavy expenses arising from surgical operations and other specialist treatment, as a result of either illness or

accident. There is also an optional extension for private treatment by general practitioners.

The Association has no shareholders, and the governors give their services without fee or remuneration of any kind.

The Accountants' Group enables subscribers to obtain the benefits of membership on terms well below those available to individual subscribers to the Association. Membership of the Group is open to most accountants in London and the home counties, whether they are in practice or in employment, as well as to all grades of staff employed by practising qualified accountants in that area.

Further details of the Association and of the Group will gladly be sent to anyone who may care to write to us.

Yours faithfully,

ROSE, GLUCK & CO,  
Chartered Accountants,

14 Queen Victoria St, HON. GROUP ORGANIZERS  
London, EC4. B.U.P.A. ACCOUNTANTS' GROUP.

### Bankers' Certificates

SIR, — Mr Whelan's letter published in your issue of May 6th raises a point which must surely not be overlooked. It is of paramount importance to communicate with a client's bankers in order to obtain in relation to the accounting date, *inter alia*:

- (1) Details of accrued interest and charges not yet debited.
- (2) A list of investments, documents of title, etc., indicating whether they are charged in any way.
- (3) Details of contingent claims against the client such as bills under discount, guarantees, etc.

If this is done it is surely no more difficult to ask for a certificate of balance and if the request is made to cover *all* accounts in the name of the client there is little risk of a Revenue discovery at a later date of other bank accounts of which the accountant was unaware.

Yours faithfully,

G. MAITLAND SMITH, A.C.A.

London, EC2.

## Taxation Cases

*Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.*

### Ellwood v. Cenlon Finance Co Ltd Williams v. Tableau Holdings Ltd

In the Court of Appeal — May 1st, 1961

(Before Lord Justice HOLROYD PEARCE, Lord Justice UPJOHN and Lord Justice DONOVAN)

*Income tax — Dividend — Paid out of capital surplus — To share-dealing company — Whether trade receipts — Discovery — Settlement of appeals by agreement — Whether additional assessment possible on same issue — Taxes Management Act, 1880, Section 57 (10) — Income Tax Act, 1952, Sections 40, 41, 47, 50, 54, 184, 510.*

The first respondent which carried on a share-dealing business, bought, on October 20th, 1953, all the shares in another company. This company had sold some of its capital assets for cash, and the money received was a capital receipt in its hands. On October 23rd, 1953, the subsidiary company declared a capital distribution of £25,000, and that sum was paid to the respondent on November 2nd, 1953. On December 4th, 1953, the respondent company sold its shares in the other company for cash.

On November 19th, 1954, Schedule D assessments were made on the respondent company for 1953-54 and 1954-55. Notice of appeal was given three days later, and the stated ground of appeal was that accounts

were sent to the Inspector together with a tax computation showing £33,200 of dividends from United Kingdom companies deducted. This sum was made up of the £25,000 and a capital distribution of £8,200 received from another company, Abraville Securities Ltd. In response to his request details of the £33,200 were given to the Inspector on July 27th, 1955, and on August 8th he agreed the computation and amended the notices of assessment. On November 24th, he sent a notice of assessment under Schedule D for 1955-56, which was also in accord with the agreed figure of profit. On June 18th, 1956, a new Inspector informed the respondent company's accountants that in his view the £25,000 and the £8,200 were trading receipts, and he caused additional assessments to be made for 1953-54 to 1955-56 and a first assessment for 1956-57. After these assessments had been made, the profit of Abraville Securities Ltd, out of which the £8,200 had been paid, was assessed, and the Inspector abandoned his claim in respect of that sum.

The Special Commissioners heard appeals against the assessments on the respondent, and they decided (1) that the £25,000 should have been included in the respondent's Case I assessment; (2) that for 1953-54 to 1955-56 the new Inspector had 'discovered' for the purposes of Section 41 of the Income Tax Act, 1952; (3) that for 1953-54 and 1954-55 Section 510 prevented additional assessments being made.

*Held* (reversing the judgment of Mr Justice Cross on the first point): the Special Commissioners' decision was correct on both points.

The facts in the second case were materially the same except that the notice of appeal was given specifically against the inclusion of the capital distributions in question.



**Griffiths v. J. P. Harrison (Watford) Ltd**

In the Court of Appeal – May 5th, 1961  
Before Lord Justice HOLROYD PEARCE, Lord Justice  
UPJOHN and Lord Justice DONOVAN

*Income tax – Dividend-stripping – Business of merchant  
ill 1953–54 – Loss to carry forward – Purchase of  
shares in company – Dividend received from subsidiary –  
Loss on sale of shares – Whether trade of share-dealing  
carried on – Income Tax Act, 1952, Section 341 –  
Finance Act, 1953, Section 15.*

The company carried on business as a merchant  
ill a date in 1953–54, and that business then  
ceased. In 1952–53 the company incurred a loss of  
£13,585, which was available to be carried forward  
under Section 341 of the Income Tax Act, 1952. On  
October 8th, 1953, an additional object was inserted  
in the company's objects clause, namely, to carry on  
the business of share-dealing. On December 4th,  
1953, the company bought all the issued shares in  
another company for £16,900 and borrowed £15,900  
for the purpose. The shares were bought on a blank  
transfer, which was not registered, and no stamp duty  
was paid. The subsidiary company had carried on  
business as a cloth merchant up to November 30th,  
1953, when that business ceased, and the subsidiary  
then had a considerable sum available for distribution  
as dividends. On January 26th, 1954, the subsidiary  
declared a net dividend of £15,901 19s 3d and this  
sum was received by the company. On the same day  
the £15,900, which had been borrowed, was repaid,  
and the shares in the subsidiary were sold for their  
nominal value, namely, £1,000. This was the only  
transaction in shares by the company in 1953–54, but  
in the following year it was admittedly carrying on a  
trade of share-dealing.

The company claimed to be entitled to set the loss  
of £15,900 against the net dividend of £15,901 19s 3d  
it received on January 26th, 1954. The Special Com-  
missioners decided that the company was not  
carrying on a trade of share dealing in 1953–54, and  
they restricted the amount of the loss claim to £3,314,  
which was agreed as being the correct figure in  
relation to the company's loss as a merchant.

*Held* (affirming the judgment of Mr Justice  
Danckwerts) (Lord Justice Donovan dissenting):  
the company was carrying on a trade in 1953–54  
and the loss of £15,900 could be set against the divi-  
dend received in that year.

**Murray v. Aviation and Shipping Co**

In the Court of Appeal – May 9th, 1961  
Before Lord Justice PEARCE, Lord Justice UPJOHN  
and Lord Justice DONOVAN

*Income tax – Shipowning company – Acquisition of  
two ships of another company – Succession – Sale of  
these two ships – Whether permanent discontinuance of  
business taken over – Income Tax Act, 1952, Sections  
127, 128, 129, 130, 145 (2) – Finance Act, 1953,  
Section 19 – Finance Act, 1954, Section 17.*

The respondents, a shipowning company, had a  
subsidiary, the Ascot company, which was also a  
shipowning company, and owned two ships. On  
December 31st, 1954, these two ships were acquired  
by the respondent, and the respondent then succeeded  
to the Ascot company's trade. The two ships were  
coal-burning, and early in 1955 they were sold.  
Subsequently the respondent acquired three diesel  
ships, one of which was in replacement of one of its  
own ships.

It was contended on behalf of the respondent that  
when it sold the two Ascot ships there was a perma-  
nent discontinuance of the trade to which it had  
succeeded. It was contended on behalf of the appel-  
lant that as the respondent continued to carry on its  
original trade there was no discontinuance. The  
Special Commissioners decided in favour of the  
appellant.

*Held* (reversing the judgment of Mr Justice  
Danckwerts): the Special Commissioners' decision  
was correct.

**Glasgow Corporation v. C.I.R.**

In the Court of Session – May 17th, 1961  
(Before THE LORD PRESIDENT (Lord CLYDE), Lord  
CARMONT and Lord GUTHRIE)

*Stamp duty – Exemption – Local bond – Stress clause  
– Whether bonds issued for not less than five years –  
Housing (Scotland) Act, 1950, Sections 136, 186 –  
Housing (Local Bonds) Regulations (Scotland), 1926,  
Regulation 4 (7).*

The Corporation issued a local bond, under Section  
136 of the Housing (Scotland) Act, 1950, for £1,000  
on April 14th, 1960, and repayment of that sum was  
to be made on May 15th, 1965. By a marginal addition  
to the bond, made on the same day, the lender was  
entitled to give six months' notice to the Corporation  
within the five years to repay the sum borrowed, but  
the notice was not to be given unless an unusual  
demand was made on the bank. The bank was to be  
sole judge of the necessity of giving the notice. This  
addition was referred to as a stress clause.

It was contended for the Corporation that the  
stress clause was a collateral obligation distinct from  
the bond itself; that the bond could be transferred by  
the lender to a third party, and he would have no  
right to rely upon the clause; and that the bond was  
not repayable within the five years. It was also con-  
tended that by Regulation 4 (7) of the Housing (Local  
Bonds) Regulations (Scotland), 1926, which were  
applicable to bonds issued under the 1950 Act, a local  
authority was not prohibited from redeeming a local  
bond on any time by agreement; and that therefore  
a bond could be a local bond though repayable within  
five years. It was contended for the respondents that  
the stress clause prevented the bond from having been  
issued for a period of not less than five years and that  
the bond was therefore not exempt from stamp duty.

*Held:* the respondents' contention was correct.

# For Students

## AUDITING

### Continuous and Final Audits

#### Question

- (1) *What are the advantages and disadvantages of continuous and final audits from the point of view of:*
  - (a) *the auditor;*
  - (b) *the management of a company?*
- (2) *What records should be kept by the auditor in each type of audit?*

#### Answer

(1) A continuous audit is one in which the auditor's staff is occupied continuously, or where interim audits are performed at intervals during the accounting period as opposed to a final audit which is carried out entirely after the end of the company's financial year.

The advantages and disadvantages are reviewed from the following points of view:

#### CONTINUOUS AUDITS

##### (a) The auditor.

###### *Advantages*

- (i) Errors may be detected sooner.
- (ii) More detailed checking can be undertaken.
- (iii) The explanations required by auditor's staff to queries arising in course of the audit can be more easily obtained when matters are fresh in the minds of the client's staff.
- (iv) Staff may be employed at times when there would otherwise be little for them to do.

###### *Disadvantages:*

- (i) It is possible for figures to be altered either innocently or fraudulently after the auditor has checked them.
- (ii) Additional work to pick up threads at beginning of each visit and possibility of work being overlooked.

##### (b) Management.

###### *Advantages:*

- (i) Effect on staff:
  - (a) Where auditor's visits are irregular this will provide a moral check on the staff and prevent errors and fraud; and
  - (b) the writing up of books is less likely to fall behind.
- (ii) The audit may be completed sooner after end of the financial period.
- (iii) Frequent, but shorter visits, may be more convenient.

#### FINAL AUDITS

##### (a) The auditor.

###### *Advantages:*

More satisfactory as:

- (i) there is less possibility of figures being altered;
- (ii) the thread of work is continuous.

###### *Disadvantages:*

- (i) The delay caused will make answering of queries more difficult.

- (ii) Less detailed work can be completed.
- (iii) Concentration of work at certain times involving employment of additional temporary staff and working overtime.

##### (b) Management.

###### *Advantages:*

There are no definite advantages except that the auditor does not disturb the office routine at frequent periods throughout the year.

###### *Disadvantages:*

- (i) In a large business the amount of time required to complete the audit would be considerable and consequently delay the date of the annual general meeting.
- (ii) In a small business where the audit takes place away from client's business there may be delay (and possible disorganization) caused in return of books.

##### (2) Records.

The records kept by the auditor in each audit would consist of:

*Audit programme.* This should be revised frequently and contain details of work to be undertaken to complete audit.

*Audit notebook.* This will be divided into two sections.

###### *Permanent Notes.*

Those relating to:

- (i) Nature of business and details of a technical nature which will be of assistance in completing audit.
- (ii) Details of officials of the business and their responsibilities and limits of their authority.

*Current Notes.* Relating to queries arising on the current audit.

*Working schedules.* Giving information necessary to verify important items in the accounts, in as far as this information has not already been recorded in the audit notebook (e.g. additions to fixed assets, calculations and cumulative record of depreciation provisions, etc.).

## ESTATE DUTY

### Gifts Inter Vivos

#### Question

Abel died on June 30th, 1960, leaving net personalty (excluding gifts inter vivos) valued at £17,500. During his lifetime he had made the following gifts:

- (a) On June 1st, 1955, he gave his son Andrew £5,000 for the purchase of a share in a professional practice now valued at £6,000.
- (b) He donated to the Axster Cathedral Restoration Fund the sum of £1,000 on April 24th, 1959.
- (c) His sister, Anastasia, was married on February 29th, 1960, and on this occasion he gave her a silver tea service, then valued at £700 and on his death at £725.
- (d) His chauffeur retired on December 31st, 1958, and as a mark of appreciation of his past services he gave him £250. One year earlier the chauffeur had acquired a cottage for £2,600, the 10 per cent deposit having been provided in cash by Abel. The cottage is now valued at £3,000.
- (e) On the occasion of his daughter, Anthea's eighteenth birthday, he transferred into her name £2,000 5 per cent Debentures then valued at 98. Immedi-

ately upon reaching her majority, on January 14th, 1960, she sold the debentures for £2,200; these were valued on Abel's death at 105.

- (f) To mark the birth of his first grandson on July 18th, 1955, Abel gave his daughter Agnes (the child's mother) £5,000 Ordinary Stock in Growth Stocks Ltd which were then quoted at 42s-44s. On the child's first birthday, his mother, under an irrevocable settlement in favour of the child, transferred into the names of trustees one-half of the original gift, which was valued on that date at 52s-56s. The stock was quoted at 30s-32s on Abel's death, the company having made a bonus issue of one for one on September 30th, 1959.

- (g) On May 19th, 1954, Abel's father bought him a

motor-car for £5,000 and when he died eighteen months later this was valued at £4,000. On the death of his father, Abel gave the car to his son, Alistair, who had retained it until his own father's death when it was valued at £3,000. The rate of estate duty payable by the estate of Abel's father was 75 per cent.

- (h) On August 1st, 1934, Abel insured his life for £20,000 at an annual premium of £600 payable each August 1st. He assigned the policy to his wife on July 5th, 1955, she paying all subsequent premiums with the exception of that due in 1959 which was paid by Abel.

You are required to calculate the estate duty payable by reason of Abel's death.

## Answer

answer

ABEL, DECEASED

ESTATE DUTY COMPUTATION

Value for Estate Duty purposes

Estate Duty payable

Notes

£

£

£

£

NET PERSONALTY .. .. .

Gifts *inter vivos*:

(a) Son - Andrew .. .. .

(b) Axster Cathedral .. .. .

(c) Sister - Anastasia .. .. .

(d) Chauffeur:

Gift made on December 31st, 1957

Gift made on December 31st, 1958

Less 15 per cent of £260 ..

(e) Daughter - Anthea:

Proceeds of sale of £2,000 5 per cent Debentures .. ..

Less 30 per cent of £2,200 ..

(f) Daughter - Agnes:

£2,500 Stock at 53s .. ..

£5,000 Stock at 30s 6d .. ..

Less 60 per cent of £14,250 ..

(g) Son - Alistair:

Less 60 per cent of £3,000 ..

Estate duty payable: £1,200 at 21 per cent

Less Quick succession relief: 10 per cent of 21 per cent of £1,000

(h) Widow:

$\frac{£600 \times 21}{£600 \times 26} \times £20,000 =$  .. ..

Less 60 per cent of £16,154 ..

$\frac{£600 \times 1}{£600 \times 26} \times £20,000$  .. ..

TOTAL, fixing rate of Estate Duty at 21 per cent

ESTATE DUTY PAYABLE .. .. .

17,500

—

—

—

260

250

510

39

471

2,200

660

1,540

6,625

7,625

14,250

8,550

5,700

1,800

1,200

252

21

231

16,154

9,692

6,462

769

7,231

1,519

£33,642

£6,955

Exempt - more than 5 years before death.

Exempt - more than 1 year before death.

Exempt - in consideration of marriage.

Total gifts exceed £500. Value of first gift reduced by 15 per cent as death took place in third year after the gift was made (Section 64, Finance Act, 1960). Estate duty limited to excess of gift over £500 (Section 30, Finance Act, 1957).

Value of gift reduced by 30 per cent as death took place in fourth year after the gift was made.

Shares given away by Agnes treated as still in her possession but valued at the date she disposed of them. The bonus issue on the shares retained is treated as part of the original gift.

Gifts to both Agnes and Alistair reduced by 60 per cent as death took place in fifth year after the gifts were made. As Abel and his father have died within five years of each other, quick succession relief of 10 per cent is available but is restricted to 10 per cent of 21 per cent on the value AFTER the earlier death, viz. £4,000 less duty of 75 per cent = £1,000, this being lower than the principal value of £1,200 on the second death.

Proportional value of policy assigned within five years of death (less relief under Section 64, Finance Act, 1960) together with value of one premium paid by donor after assignment.

## THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

### THIRTY-SECOND NATIONAL COST CONFERENCE

The thirty-second national cost conference of The Institute of Cost and Works Accountants was held in London on Thursday, Friday and Saturday of last week. Over three hundred members from all parts of the United Kingdom and from overseas were present when the President, Mr W. S. Risk, B.COM., C.A., F.C.W.A., opened the conference on Thursday afternoon which was then addressed by The Rt. Hon. F. J. Erroll, Minister of State, Board of Trade.

#### The Accountants' Contribution to Industry

Dealing with the problems involved in working out Britain's balance of payments, Mr Erroll grouped them under three main headings. First, visible trade, including imports and exports; then invisible imports and exports covering such items as income from and expenditure upon insurance, shipping, banking and other services; the balance on these two items together constitutes the balance on current account. Lastly, the long-term capital account, including public and private investment overseas.

After dealing with these points in some detail, Mr Erroll went on to say that to achieve balance of payments, the United Kingdom would have to pay for the increased imports by exporting more, and in order to do this greater efficiency in British industry was a first requirement.

He continued, 'The members of your Institute have an important part to play in this process of increasing the competitiveness of United Kingdom industry.

'I should like to suggest that you have a more positive role in the battle for increased exports than merely giving technical advice to your managements when you are asked for it. By adopting modern methods of costing, quality control, sampling techniques - electronic accountancy and so on, you have a vital contribution to make to commercial and industrial efficiency. You should, I suggest, lose no opportunity to point out to your managements that it would be foolish to wait until increasing competition forced greater efficiency upon your company as a necessity for survival.

'The wise and prudent management will pursue efficiency as a means of increasing profits. This in turn will enable the company's products to compete overseas as well as at home with the result that its markets can be vastly increased. You can perform a most valuable service to the nation, and to the management of your own company, by making sure that they fully appreciate the opportunities that await the up and coming firm, and the risks that are being run by those who leave exporting to "the other fellow".'

A reception for members and their ladies was given by the President in the evening at the Merchant Taylors' Hall.

#### Presentation of Medals

On Friday morning Mr Ian T. Morrow, C.A., F.C.W.A., a Past President of the Institute and a member of the Council, received from the President the Institute's

gold medal awarded in recognition of his outstanding services to the profession and to the Institute in particular. A silver medal was awarded to Mr Arthur William Muse, F.C.W.A., F.A.C.C.A., for long and meritorious service to the Institute. The services to the Institute of overseas members were recognized by the award of two silver medals to South African members. The first is to be presented to Mr Arthur Hopewell, B.A., C.A.(S.A.), F.C.W.A., F.S.A.A., M.P., a Past President of the former South African Branch, and the second will be received jointly by Mr and Mrs Cornelis Mollink, who are both members of the Union of South Africa Council of the Institute.

#### PRESIDENTIAL ADDRESS

In the course of his presidential address to the conference, Mr Risk said:

#### Growth of the Institute

The growth of our Institute is something of which we have reason to be proud but not complacent. If we take December 1930 as a datum for numbers of members and students, the figures for each succeeding tenth year are:

				Members	Students
1930	..	..	..	100	100
1940	..	..	..	169	251
1950	..	..	..	370	1,241
1960	..	..	..	852	1,821

The actual numbers at December 30th, 1960, were: 6,876 members and 16,311 students.

#### Training

It will be noted that the rise in the number of students is more than twice that of the members. This is an indication of the increasing number of young men and women who wish to make their careers in industry with the aid of our qualification, but it is a matter for concern that too few of our students pass our examinations at each sitting. The relevant figures are:

				Candidates	
				Sitting	Passed
1940	..	..	..	447	319
1950	..	..	..	5,767	1,935
1960	..	..	..	10,797	3,582

On average, a student takes about five years to qualify; by the time he has done so he will have served a reasonably lengthy apprenticeship in industry in the surroundings and atmosphere in which he will practise his profession.

It is always incumbent upon those responsible for the affairs of our Institute to see that the greatest assistance is given to our students to qualify in the studies most relevant to their future, at the highest reasonable level, within a reasonable period of apprenticeship and study.

### Marginal Control

There are certain aspects of our techniques which, it seems to me, are worthy of mention. Among them is the vexed question of marginal or direct costing, on which subject this Institute will shortly issue an authoritative publication. There is probably no one subject which has generated more heated discussion among accountants than this. It is not my wish to fan the flames, but I feel compelled to say that the marginal technique, in its proper context, for the consideration of projects, is essential if one is to see the picture clearly. On the other hand, costing and pricing on a marginal basis, while tempting in conditions of low volume, are dangerous, and have led firms and industries to ruin, when allowed to get out of control in unskilled hands. Even direct labour nowadays can in many cases become virtually a fixed charge within fairly wide limits and as a result the volume factor in costs assumes increasing importance but it is still very difficult to sell so much at a loss that eventually there is a profit!

With the advent of computer techniques, the relationship between fixed and variable costs will, of necessity, assume even greater importance than at present. This fact, and the tendency of fixed costs to rise as a result of mechanization and automation, means that this field is one of the most fertile in which to pursue our studies for the benefit of industry.

### Uniform Costing

There is a greater need than ever for particular industries to get together and to adopt schemes for inter-firm comparisons of costs, such as that in operation by the National Hosiery Manufacturers' Association. This was described at our conference last year in a paper by our member, Mr Alan Kershaw, who is Deputy Director of that Association. Schemes such as these are definite aids to efficiency within the industry; in the reduction of costs; in the fixing of a price fair to the consumer; and in giving a return to industry adequate in relation to the capital employed and its maintenance.

### Return on Capital

It is sometimes forgotten that the ultimate financial object of our labours is the provision of an adequate return on capital and the maintenance of real capital; it is therefore necessary – if difficult – to cost, price and sell on a replacement basis if that object is to be achieved.

Pressure of competition sometimes lowers prices below economic levels, with the effect that old plant is not replaced when it should be, and that when it is replaced, the result is not a reduction but an *increase* in cost, due to the incidence of higher depreciation.

It is, I think, significant and appropriate that the theme of our conference this year is related to the return on capital, for too little attention has been paid to it in the past. Whether or not an adequate return is obtained on the capital invested in a business is the ultimate criterion of its success. The productivity ratios and profit and loss and operating and control statements which we use so much are ultimately a means of ensuring this adequate return.

### Overseas Investment

When considering return on investment, it is appropriate to remember that there is a not inconsiderable amount of investment in this country from abroad – particularly by the United States which, according to Board of Trade figures, invested about £90 million in this country in 1959.

This is not a large figure in relation to total investment in industry, and is in fact less than Britain's own overseas investment in the same period, which was heavily concentrated in the Commonwealth.

Since 1959, there have been significant moves in both directions. The purchase of the Ford enterprise in this country by the parent company, and the movement of many firms (notably I.C.I.) towards the setting up of an organization on the Continent, are examples. This latter movement is important as a means of overcoming the problem of the two separate trading *blocs* in Europe, but it is at best a poor substitute for a Europe united as a trading entity. It is to be hoped that this unity will be achieved, and soon, because, as Sir William McFadzean, the retiring President of the Federation of British Industries, and other speakers have warned us, the more each *bloc* solidifies, the more difficult their final coming together will be.

I am sure that the full implications of this division are not yet fully realized in this country, and that the maximum effort must be made to resolve this complicated problem.

Our success, our prosperity, and our livelihood will still ultimately depend on our ability to produce and export quality goods at competitive prices; it is in that endeavour that the members of this Institute are playing a significant part, and on which our energies should be concentrated.

### Communications

The best costing information for this end will serve no useful purpose if it is not used. Therefore it must be communicated to those concerned with its use, by means of the written or spoken word.

The subject of communications in industry is one to which, I suggest, too little importance is attached; it goes, of course, far beyond the purely costing aspect.

On communication between industry and shareholders, Lord Ritchie, Chairman of the Stock Exchange, London, has made a plea for more informative accounts free from jargon, and easily readable.

But we are more concerned with communications within the organization.

I believe that benefits, greater by far in proportion to the time and trouble involved, are to be obtained from an interchange of information between management and employees, where the management is able to talk to representative members of the employees round a table, and to tell them, within the limits of security, the policy of the firm – why it is doing certain things, what the future prospects are, and what are the immediate steps which are likely to attain these objects.

By this, I do not mean joint consultation in the generally accepted meaning of the term, and I certainly do not mean joint management. I mean simply exchanging information with employees and taking them into one's confidence. If the right atmosphere is engendered – and that depends mainly on the manage-



ment executive who holds the meeting (preferably the managing director) – it is, in my experience, quite amazing what tremendous benefits can be obtained from this two-way flow of information.

Employees then feel, rightly, that they are privileged to know more about what is going on and what is to happen. It is a psychological phenomenon that when people know beforehand what is planned they are more likely to co-operate than if they hear after the event. 'Nobody ever tells me anything' is the hurt expression which is used when communications are poor.

Such meetings – not necessarily at regular intervals – can do much to stimulate confidence in the management and pride in the firm, and can bring that loyalty which is one of the greatest factors in long-term prosperity. Loyalty like this is literally priceless because it cannot be bought – it can only be earned.

Much has been said and written about disseminating financial information to employees. That too, I believe to be a good thing but it is not so important as the type of information to which I refer.

Information about orders obtained or business lost (with the reasons), and about future strategy and tactics, enables employees to understand better their part in creating prosperity for the firm, and engenders a feeling of participation in the decisions as well as in their successful implementation.

Good communications tell the truth and stop the spread of false information and harmful and unsettling rumours.

It may be thought that such information is a matter to be dealt with through trade union channels. This is not so – no questions of wages or conditions are involved and no feeling should arise of a meeting of two sides of industry; quite the opposite is intended.

### Trade Unions

This is not to belittle trade unions – far from it: led by responsible and capable men as most of them are, they can be a live and helpful factor in industrial progress. It is their duty and their right to secure for their members a share in prosperity, and responsible union officials realize that without increasing productivity and prosperity, there cannot be a greater share for their members.

This country is still largely dependent on the skill of the individual. It is a pity, therefore, that there is a tendency in the case of the large general unions to press the case of the lowest-paid worker rather than that of the more skilled man or of one who has served an apprenticeship. There is still, in some industries, too little differential between the skilled and the unskilled worker, and while the responsibility for that lies not wholly with the unions, they must accept at least some share.

### The Economic War

We are engaged in an intense economic war and it must be realized that all our work takes place against this background. In this context the Prime Minister said recently: 'The real test will not be on the battlefield but in the market place.'

We shall lose this war if we become a high cost nation. It is ultimately the job of industrial leaders and managements in this country to maintain standards of living which will permit a way of life superior to that offered by a Communist State and we, as cost accountants, have a part to play in this endeavour.

We can maintain and improve our standard of living only through greater exports. We wage this war – and, make no mistake, it is a war – under conditions very much less favourable than we have had in the past.

To say so is not to be defeatist, but simply to recognize the facts of the situation. We are no longer the only or even the main workshop of the world. We buy our raw materials in competition with others and we sell throughout the world in extremely competitive conditions; in the past, we had markets more or less to ourselves.

### Personal Qualities

Why do we then – a small nation, a relatively insignificant area on the map of the world – still exercise such an influence on its economic and political affairs?

Surely the answer lies in the character and natural ability of our people and our heritage of skill and will to work and fight for the ideals in which we believe.

It is often war which produces great leaders. We are, as I have reminded you, engaged in a war right now and it is in industry that we must look for leaders. It is my hope that the members of our Institute will, in ever increasing numbers, display those personal qualities of leadership and management which, to my knowledge, many of them possess – not only in the sphere of cost and management accounting but also in general management and in the boardrooms of industry.

### TECHNICAL SESSIONS

Two technical sessions followed the presidential address. At the first, Mr Ian T. Morrow, C.A., F.C.W.A., presented a paper on 'The effective use of capital: fixed assets'. Afterwards the 'current assets' aspect of this subject was dealt with in a paper by Mr W. L. Spalding, B.Sc.(ECON.), C.A., F.C.W.A.

### BANQUET

The banquet was held at *The Dorchester Hotel*, on June 2nd, presided over by the President, Mr Risk. Sir Harold Roxbee Cox, D.F.C., PH.D., proposed the toast of 'The Institute', and Mr Risk replied. The toast of 'The Guests' was proposed by Mr Harry Hodgson, F.C.A., F.C.W.A., a member of the Council, and Mr Alan Brown, B.C.L., M.A., Fellow and Estates Bursar of Worcester College, Oxford, responded.

The guests also included: His Excellency the Ambassador for South Africa, Dr Hilgard Muller and Mrs Muller; Mr Graham A. Usher, M.B.E.(MIL.), T.D., C.A., President, The Institute of Chartered Accountants of Scotland, and Miss Usher; Mr S. J. Pears, F.C.A., President, The Institute of Chartered Accountants in England and Wales, and Mrs Pears; Mr G. L. Barker, F.A.C.C.A., President, The Association of Certified and Corporate Accountants, and Mrs Barker; and Mr A. L. A. West, O.B.E., F.I.M.T.A., President, The Institute of Municipal Treasurers and Accountants, and Mrs West.

### ANNUAL GENERAL MEETING

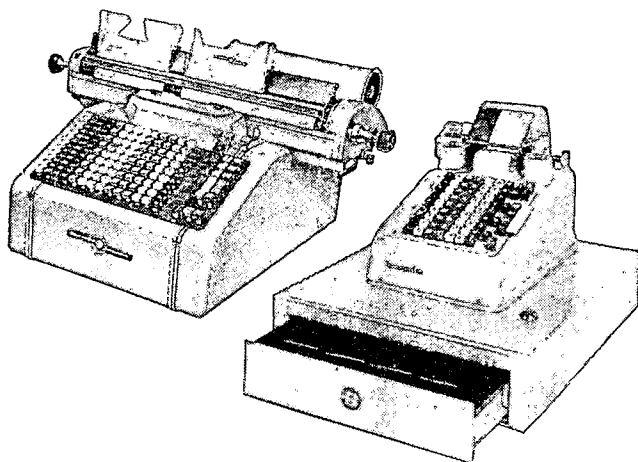
The forty-second annual general meeting of the Institute was held on Saturday. As announced elsewhere in this issue, Mr Francis Maurice William Hird, F.C.A., F.C.W.A., was elected President for the ensuing year. Mr William Bishop, C.A., F.C.W.A., was re-elected a Vice-President, and Mr Charles Eric Power, F.C.A., F.C.W.A., A.M.B.I.M., was also elected a Vice-President.



*What you see is a cluster of screens. But behind the shop window is a thriving business, with the accounting of eleven branches looked after by Burroughs.*

## TABS ON THE TELLIES

**VERNON COOPER LTD.**, radio and TV dealer, has eleven shops in and around Nantwich.



**PROBLEM**—how to keep tabs on all the sets being bought on HP (something like 60% of all TV sets!)

**SOLVED**—with eleven *Burroughs Cash Registers* and one *Burroughs Sensimatic* accounting machine.

**METHOD**—copies of receipts for HP and Rental payments are sent every day from branches to main office, where details are posted on the *Sensimatic*. An accurate record of HP accounts is immediately available and letters are forwarded regularly to customers in arrears.

**RESULT**—Mr. Cooper bought more Burroughs machines for other operations—rental accounts, stock control etc.—and now has complete up-to-the-minute information on every branch of a highly efficient business.

### DECIMAL CURRENCY!

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# Notes and Notices

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES Members' Addresses Wanted

The Secretary of the Institute would be glad to know the present addresses of the following members of the Institute. The town at which the member was last known is shown after each name.

Roger Francis Bell, M.C., F.C.A., London.  
Mohamed Hasim Bharoocha, A.C.A., London.  
Allan Birchenough, F.C.A., Kingsbridge, Devon.  
Richard Bury, A.C.A., Blackpool.  
Cecil Alfred Reed Cook, F.C.A., Manchester.  
Cyril John Dale, F.C.A., Stoke on Trent.  
David Campbell Mitchell, F.C.A., Salisbury, S. Rhodesia.  
Henry Marcus Passer, F.C.A., London.  
Timothy Peter Round, A.C.A., London.  
Philip Sutherland Strachan, F.C.A., London.  
Felix William Sutherland, F.S.A.A., Johannesburg.

## PROFESSIONAL NOTICES

MESSRS THOMSON McLINTOCK & Co, Chartered Accountants, and Messrs BROWN, FLEMING & MURRAY, Chartered Accountants, announce the formation, in conjunction with Messrs MAIN & Co, Certified Public Accountants, of a new firm which will practise in New York and elsewhere in the United States in the name of McLINTOCK, MURRAY, MAIN & Co. The partners of the new firm are Messrs M. C. CONICK, OSCAR L. MILLER, THOMAS LISTER, J. IVAN SPENS, JAMES T. DOWLING and JOHN S. WILSON.

MESSRS DUNN, CAREY & Co, Chartered Accountants, of 12 Buckingham Street, Strand, London, WC2, announce that they have taken into partnership Mr RICHARD JAMES COOPER, A.C.A., Mr COOPER was articulated to Mr CAREY, and since qualifying he has held an appointment with a City firm of chartered accountants.

MESSRS WALTON, WATTS & Co, Chartered Accountants, of Chancery Chambers, 55 Brown Street, Manchester 2, announce that they have admitted Mr ROBERT HAYTON, A.C.A., to partnership as from June 1st, 1961. Mr HAYTON joined the staff in 1949 and served his articles with the firm.

## OBITUARY

### Charles Gordon Jolliffe, F.C.A.

It was with much regret that we learned of the death, on May 28th, of Mr Charles Gordon Jolliffe, F.C.A., senior partner in the firm of Parsons & Jolliffe, Chartered Accountants, of Newport, Monmouthshire.

Mr Jolliffe was born in 1879 at Chesterfield but spent most of his life in Monmouthshire. He was educated at Chepstow Board School and at the Mead School, Sedbury, and commenced his period of articles in 1896 with the Newport firm of Parsons & Robjtent, described as 'chartered accountants, auctioneers and stock brokers'. When a lawsuit resulted in the dissolution of the partnership in 1898, Jolliffe remained with Mr Parsons.

Mr Jolliffe achieved the rare distinction of taking first place in both the Intermediate and Final examinations of The Institute of Chartered Accountants in England and Wales. He was admitted an Associate of the Insti-

tute in 1901 and was elected to Fellowship in 1908. He became a partner of Mr Parsons in 1902 when the name of the firm was changed to Parsons & Jolliffe; and was senior partner since 1910. He was at one time honorary secretary of the South Wales and Monmouthshire Society of Chartered Accountants and in his earlier years was a keen sportsman playing golf, tennis, rugby and hockey - he was a former member of the selection committee for the Welsh hockey team.

He was, of course, well known as a 'rebel' and over a long period of years circulated a series of critical letters and memoirs to his friends and professional brethren. Among the colourful titles with which he described himself were: 'The Stormy Petrel of South Wales', 'The Monmouthshire Archer' and 'The Jolly Roger'.

The following appreciation has been contributed by Mr Ivor Waters, secretary of The Chepstow Society:

'Gordon Jolliffe once wrote: "To me, the profession is everything", and he was proud of the training he gave his own articulated clerks.

'In 1930, he became honorary secretary of the South Wales and Monmouthshire Society of Chartered Accountants but he was too much of a "rebel" to remain in the position long and he began a series of critical letters and memoirs which he later published as a history of the profession. Under the title *There is No Second*, these letters and memoirs consisted of twenty-eight parts, which were widely circulated to his colleagues and friends. "I like fighting the big guns," he wrote, "not so much the beating as the fighting."

'He was widely read, particularly in history. In 1927, he became vice-chairman of the Newport and Monmouthshire branch of the Historical Association and from 1929 to 1960 he was the honorary secretary. Particularly interested in local history, his ambition was to help to "put Chepstow on the map". By sponsoring publications of The Chepstow Society, he ensured that books about his town were to be found in homes and libraries in most countries in the world.

'Gordon Jolliffe was a friend of minorities. "Lord, how everybody loves going with the crowd," he wrote. He was against pressure groups of any kind, disliked big cities, trusts and combines, and loved Chepstow, Newport and the Marches, in that order.

'He was a true individual and nobody's slave and hundreds of people can testify to his courtesy and kindness.'

### Edgar McKee, F.C.A.

We announce with regret the death of Mr Edgar McKee, F.C.A., principal in the firm of Samuel Smyth & Co, Chartered Accountants, of Belfast. Mr McKee served his articles in the firm where he spent his entire professional life. He was admitted an Associate of The Institute of Chartered Accountants in Ireland in 1928; became a partner of his firm in 1933, and was elected to fellowship of the Institute in 1938.

### Robert Alexander Mair Reid, C.A.

It is with regret that we record the death on May 19th, in his eighty-second year, of Mr Robert Alexander Mair Reid, C.A., senior partner in the firm of Reid & Mair, Chartered Accountants, of Glasgow.

Mr Reid was admitted to membership of the Institute of Accountants and Actuaries in Glasgow in 1904, and in the same year became a partner in the firm

founded by his father in 1872. He was at one time President of the former Glasgow Chartered Accountants' Benevolent Society and had also served as a member of the management committees of the Scottish National Institution for War Blinded Sailors and Soldiers, the Royal Scottish Society for the Prevention of Cruelty to Children, and the Glasgow and West of Scotland Society for the Prevention of Cruelty to Animals.

### IN PARLIAMENT

#### Income Tax Act, 1952: Section 66

Sir C. MOTT-RADCLYFFE asked the Chancellor of the Exchequer if he has considered a recent decision of the Special Commissioners in an appeal under Section 66 of the Income Tax Act, 1952, to which his attention has been drawn by the hon. Member for Windsor; and whether he has any proposal for a change in the law as a result of that decision.

Sir E. BOYLE: I have considered this matter and I am satisfied that the existing law is satisfactory. Section 66, Income Tax Act, 1952, provides that a person who has paid tax charged under an income tax assessment under Schedule D or Schedule E may claim relief if he shows that the assessment was excessive by reason of some error or mistake in the return or statement made by him for the purposes of the assessment. No relief is due, however, if the return or statement was made on the basis or in accordance with the practice generally prevailing at the time when it was made. A dispute between the Revenue and the taxpayer on a Section 66 claim falls to be determined on appeal by the Special Commissioners, whose decision, except on a point of law arising in connection with the computation of profits or income, is final. In the case to which my hon. friend refers, the appellate Special Commissioners decided, in favour of the Revenue, that the taxpayer's return had been in accordance with prevailing practice; but they went on to say, in effect, that, apart from this, the taxpayer could not invoke Section 66 because the assessment was an estimated assessment made in advance of a return or accounts, despite the fact that the assessment had been adjusted in accordance with accounts subsequently submitted. This second limb of the decision did not accord with the practice of the Board of Inland Revenue, and the Board is now advised that where a return or accounts submitted after the making of an estimated assessment have been accepted for the purpose of arriving at the final assessment under which the tax has been charged, the fact that the assessment was made in advance of the rendering of the return or accounts does not of itself rule out a claim under Section 66 which would otherwise be admissible. The Board will continue to adopt this general line in considering claims under the section, and will make its view clear to the appellate Commissioners if the point is raised on an appeal before them.

*Hansard*, June 2nd, 1961. Written Answers. Col. 46.

### LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

#### New Chairman Elected

At a meeting of the committee of the London and District Society of Chartered Accountants on June 6th,



Mr G. F. Ansell

Mr George F. Ansell, F.C.A., a partner in the firm of Kemp, Chatteris & Co, Chartered Accountants, was elected Chairman of the Society for the ensuing year.

Mr Ansell, who was born in 1915, was educated at Hackney Downs (formerly The Grocers' Company) School. He was awarded honours in the Final examination of May 1936, in which year he was admitted an Associate of the Institute. Mr Ansell joined the firm of Kemp, Chatteris & Co in the following year and became a partner in 1951. He was elected to fellowship of the Institute in 1956.

First elected to the committee of the London and District Society in 1948 and re-elected again in 1953, Mr Ansell has served on various subcommittees of the Society, and in 1959 became one of the District Society's representatives on the Institute's Taxation and Research Committee. He was elected vice-Chairman of the District Society in 1960 in which year he also served as Chairman of the London Regional Taxation and Research Committee.

Mr C. V. Best, F.C.A., a partner in the firm of Allen, Baldry, Holman & Best, Chartered Accountants, of London, has been elected Vice-Chairman.

### BIRMINGHAM AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

At a committee meeting of the Birmingham and District Society of Chartered Accountants held on

May 29th, Mr C. J. Mason, F.C.A., senior partner in the firm of Newton & Co, Chartered Accountants, of Birmingham, and a partner in the firm of Newton Armstrong & Co, Chartered Accountants, of London, was elected President of the Society for the year 1961-62.

An East Anglian by birth, Mr Mason was educated at the City of Norwich School. After serving his articles in Norwich he was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1929 and moved to Birmingham in the same year. He was elected to fellowship of the Institute in 1949.



Mr C. J. Mason

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Mr Mason, who is a director of several companies, has been a member of the committee of the Birmingham and District Society since 1954 during which time he has filled the offices of Hon. Treasurer, Hon. Secretary and Vice-President.

Other officers elected for the ensuing year are as follows:

*Vice-President:* Mr D. E. T. Tanfield, F.C.A.

*Hon. Secretary:* Mr G. S. Major, T.D., B.COM., F.C.A.

Messrs Major & Co, 89 Cornwall Street, Birmingham, 2.

*Hon. Assistant Secretary:* Mr W. R. Doherty, T.D., F.C.A.

*Hon. Dinner Secretary:* Mr P. G. Craven, T.D., F.C.A.

*Hon. Treasurer:* Mr P. T. Neal, F.C.A.

*Hon. Librarian:* Mr A. S. Maddison, F.C.A.

#### Report for 1960-61

The Society's seventy-ninth annual report for 1960-61, which was presented at the meeting, shows that membership at April 30th, 1961, was 1,463 (including membership of the branches), an increase of thirty-three over the previous year.

The annual dinner held on March 9th, 1961, at *The Grand Hotel*, Birmingham was attended by 432 members and guests. Five evening and two luncheon meetings were held during the year all of which were well attended.

In conjunction with the Stoke-on-Trent Area Branch, a successful week-end conference was held at the University College of North Staffordshire in September 1960. In addition there was a one-day conference at Birmingham University in January 1961, when Mr S. I. Simon, Barrister-at-law, gave papers on the Finance Act, 1960.

The joint lecture committee organized the eleventh annual week-end residential course which was held at Balliol College, Oxford, in September 1960, and was attended by ninety students.

#### THE NOTTINGHAM SOCIETY OF CHARTERED ACCOUNTANTS

At the recent annual general meeting of The Nottingham Society of Chartered Accountants, Mr E. Cross, F.C.A., senior partner in the firm of Harrison &

Sedgwick, Chartered Accountants, of Derby, was elected President of the Society for the year 1961-62.

Educated at the Herbert Strutt School, Belper, Mr Cross joined H.M. Forces in 1917, being demobilized in 1920. Following demobilization, he served his articles with his present firm and was admitted an associate of the Institute in 1923 becoming a partner

in the firm in 1929. He was elected to fellowship in 1960.

Mr Cross was one of the first committee members of the Derby branch of the Nottingham Society when

it was formed in 1951 and became its chairman in 1956.

Other officers elected for 1961-62 are:

*Vice-President:* Mr K. A. Buxton, F.C.A.

*Hon. Sec. and Treasurer:* Mr T. Ashton, F.C.A., Park House, Friar Lane, Nottingham.

#### Report for 1960

The report of the committee for 1960 records that support for the Society's student tuition scheme had been disappointing. The organizing committee had endeavoured to maintain a high standard of lecturing and remuneration to approved part-time lecturers, but one-third of the Intermediate students, and nearly half of the Final examination students failed to achieve 66 per cent of the possible attendances. The future of the classes, the report states, will have to receive most thorough consideration.

The Society's Derby branch also had low attendances at their lecture meetings, despite the endeavours which had been made to draw on a wide field of lecturers.

#### THE LEICESTERSHIRE AND NORTHAMPTONSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

Mr C. R. Riddington, F.C.A., a partner in the firms of Thornton, Baker & Co, and Annan Impey Morrish & Co, has been elected President of The Leicestershire and Northamptonshire Society of Chartered Accountants for the year 1961-62.

He was educated at the Wyggeston School, Leicester, becoming an Associate of The Society of Incorporated Accountants in 1926, a Fellow in 1930 and a member of the Institute on integration. He served as honorary secretary of the Leicestershire and Northamptonshire District Society of Incorporated Accountants from 1949 to 1958.

Mr Riddington is a director of several companies, and is interested in gardening activities, being a council member of the National Allotments and Gardens Society.

Other officers for 1961-62 are:

*Vice-Presidents:* Mr H. M. Lepper, F.C.A., and Mr G. L. Aspell, T.D., D.L., F.C.A.

*Librarian:* Mr W. E. Willis, D.F.C., B.A., J.P., F.C.A.

*Secretary and Treasurer:* Mr J. H. Golcher, F.C.A., 32 De Montford Street, Leicester.

*Assistant Secretary:* Mr R. F. Watkins, A.C.A.

#### Report for 1960

The Society's report for the year ended December 31st, 1960, records a total membership of 481.

As there were more luncheon meetings, and evening meetings do not, judging from their attendances, prove popular, the report states, only one evening meeting was held at Leicester. The Leicester Chartered



Mr E. Cross



Mr C. R. Riddington

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Accountant Discussion Group met for luncheon meetings on a number of occasions. In addition, the Kettering Discussion Group held a number of meetings.

The annual dinner was held in Leicester and was attended by 308 members and guests. Prior to the annual dinner, there was a very good attendance when the President of the Institute took tea with the Students Society and the committee express their appreciation to practising members who encouraged their articled clerks to attend.

#### **WOMEN CHARTERED ACCOUNTANTS' DINING SOCIETY**

Miss Joan Parry, F.C.A., of Lincoln, was elected chairman of the Women Chartered Accountants' Dining Society at the annual general meeting held in London last Saturday. The new Vice-Chairman is Miss Beryl Rainey, F.C.A., of London, who was previously honorary secretary and whose successor in that office is now Mrs N. L. Kew, A.C.A., c/o Messrs de Paula, Turner, Lake & Co, Chartered Accountants, Imperial House, Dominion Street, London, EC2.

Reference was made in the annual report of the committee to the two successful provincial meetings, at Birmingham and Manchester, held during the year

for the purpose of interesting more of the 350 women members of the Institute in the Society. It is hoped to hold a similar meeting at a Yorkshire centre next winter.

Miss M. A. T. Hodge, B.A., F.C.A., reported that so far about two-thirds of those circulated had responded to the questionnaire sent out in connection with the survey of women chartered accountants which the Society was conducting. She hoped that more replies would yet be received in order that the results of the survey might be as comprehensive as possible.

A vote of thanks to Miss Margaret Fox, F.C.A., the outgoing chairman, was proposed by Miss Parry. Forty-two members were present at the meeting which was preceded by a sherry party attended by forty women articled clerks.

#### **CORRECTIONS**

In our last issue it was reported, on page 707, that Mr G. O. May, F.C.A., C.P.A., died on May 23rd. The death occurred, however, on May 25th.

In the issue of May 27th it was stated, on page 649, that in settling appeals by agreement, an appellant has 'a further twenty-one days' in which to reside under Section 510 (3). The time limit is now, of course, thirty days.

## **LONDON STUDENTS' COLUMN**

### **News from the Chartered Accountant Students' Committee**

#### **Membership of the Committee**

As a result of the voting at the annual general meeting, three committee members standing for re-election were unsuccessful and were replaced by three new members. The new members, Messrs Le Blanc, Möll and Woolgar, were welcomed at the May meeting of the committee.

Letters have been sent to the three unsuccessful retiring members, Messrs Crowther, Nadal and Snow, expressing the committee's appreciation of the services they have rendered.

The chairman of the committee for 1961-1962, is Mr B. J. Arthur, and the vice-chairman, Mr C. L. Lewellyn-Smith.

**Representative on the District Society Committee**  
Mr W. K. Wells was reappointed representative on the District Society Committee, as his experience and personal knowledge of the work of the committee are very valuable factors.

#### **Miss A. M. Large**

It was with great regret that the committee learnt that Miss Large, the assistant secretary, was leaving for

another post after eight active years in the service of the Society. She was accorded a hearty vote of thanks, and leaves with our best wishes for the future. Mr D. C. P. Kelleher will take up the position.

#### **Staff Difficulties**

The shortage of staff which for some time has been hampering the work of the Society is now, happily, over. The addition of one full-time member and one part-time member brings the administration up to strength.

#### **Publicity and Magazine Subcommittee**

An editorial board has been set up to proceed with the production of a magazine for the Society.

#### **Social Clubs**

The '59 Club' held a debate with the nurses of St Bartholomew's Hospital. The motion 'This house considers that honesty is preferable to tact' was defeated. The Taverners held a successful 'Jazzy beer festival' at the Chenil Galleries.

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## Policy for Wages—a Vital Issue

ACCORDING to the latest (May) issue of the *Economic Review* prepared by the National Institute of Economic and Social Research, 'the main threat to economic stability and to the prospects for a reasonable rate of expansion over the next twelve months still lies in the external payments position'. There can, unfortunately, be no disputing this conclusion. Already City editors are hinting at the need for measures to restrain the inflationary forces now gathering momentum.

All the ingredients for an autumn upsurge of pressure on sterling are present within the United Kingdom economy. An increase in both consumer outlays and industrial investment is expected; substantial pay claims are likely to be conceded within the next few months. The recent increases in the prices of beer, tobacco and now bread, hardly ensure even the modest degree of price stability achieved in the past two years. In short, the same situation that Britain has experienced at least half a dozen times since the end of the war, is again threatening. Fortunately the recent Basle discussions with the leading creditor nations seem to have ensured a modicum of support for sterling; the latest figures for the gold and dollar reserves confirm this impression. Yet such measures provide but an interim solution. The Government is still striving for a policy to deal with the basic weaknesses in the economy which underlie the balance of payments deficit and the consequent weakness of sterling.

The root cause of Britain's economic difficulties is simple enough to trace. It is the continued failure to halt the persistent upward drift of prices. That Britain is not alone in its failure is made very clear from the latest O.E.E.C. report prepared by six international economic experts<sup>1</sup>. In their opinion, the continuous inflation since 1945 is due largely to the determination of Governments to maintain a high level of employment. It is, of course, right and proper that this goal should be given high priority. But must it follow that henceforth the public should reconcile itself to the prospect of a continuous upward spiral of costs, prices and incomes? As far as Britain is concerned there can be no other prospect unless substantial changes are made in its institutional arrangements for wage negotiation. In this context it will be interesting to see what the next report of the Council on Prices, Productivity and Incomes has to say on the subject of wages.

Unfortunately, the background to any discussion of this thorny topic has not been improved by the recent Budget proposals. The

<sup>1</sup> *The Problem of Rising Prices*, by W. Fellner, M. Gilbert, B. Hansen, R. Kahn, F. Lutz and P. de Wolff. H.M.S.O. 21s.

*London and Cambridge Economic Bulletin* asserts that 'it is worth emphasizing how particularly unfortunate the Chancellor's additional taxes are for the development of exports' in view of the fact that the fuel tax will merely raise costs and the increased profits tax withdraw funds from industrial investment. Of the two new regulatory devices, the *Bulletin* comments tersely that the one will raise prices and the other will raise costs. Analysing the Government's current policy, the authors of another article in the *Bulletin*<sup>2</sup> stress that a new policy against cost inflation is required and conclude that 'about the objective of this policy there can be little doubt. It must aim at a modification of the attitudes of both sides to collective bargaining on wages'.

Discussing the experience of the United Kingdom economy since 1953, the O.E.E.C. experts point out that 'arbitration has been an important part of the mechanism responsible for the rapid and uniform diffusion of wage increases across the economy'. The characteristic feature of British collective bargaining has been the regular 'wage round', whereby one union follows the lead of another in staking its claim and receiving its award. From the viewpoint of the national economy the 'remarkable degree of uniformity in the size of increases negotiated during each particular wage round in different industries' is deplorable. Whatever the productivity gains in any industry, the actual wage awards were all too large in relation thereto, largely because the existing institutional arrangements have tended to lead to a 'very rapid generalization of a small number of key bargains'. The latter, it need hardly be added, are those concluded in the early phases of the wage round in industries enjoying particular prosperity.

The theme of the O.E.E.C. report – based on data collected from twenty countries – is that since the war, but more especially since 1953, 'excessive wage increases secured through negotiations have been a significant factor in the upward movement of prices'. Furthermore, the experts establish that the movement was continuously upward; even in times of slacker demand and rising unemployment there was no tendency for wages to decline. Two significant conclusions emerge from the report. First, the

belief that this problem can be solved solely by a firm control of total demand, is rejected. In other words, the type of fiscal and monetary policy pursued by the British Government during the past decade, which has had as its purpose the contraction of total money claims on the available resources, is ineffective. 'There is no evidence' states the report 'that a particular state of demand surely and consistently results in average wage increases which do not exceed the rise in productivity'. Second, the view that a solution can be achieved by sufficiently weakening the bargaining strength of labour, is unfounded. In the opinion of the experts, it is a technical and a political impossibility to restore sufficient competition in the contemporary industrial society to attain that particular objective. And, perhaps with the United Kingdom especially in mind, the authors of the report comment that they do not regard 'vague exhortations to labour to exercise restraint' or 'informal understandings with labour to abstain from wage demands for a limited interval' as constituting a wages policy.

The fact that Britain is not alone in its failure to resolve this problem explains in large measure why successive Governments have been able to drift along hoping for something to turn up. As long as the pace of wage and cost inflation in the main trading nations of the world more or less keeps pace with that in the United Kingdom then, internal economic distortions and social inequities apart, the inflation need not be disastrous. But, given Britain's outstanding dependence upon foreign trade, she stands to lose more than other countries if she fails to resolve the problem. And, as long as 'the antiquated institutional arrangements' in Britain are retained, as long as 'the weakness of the central bodies on both sides' (i.e. the T.U.C.'s and B.E.C.'s inability to control their members) persists, and as long as there is no 'clearly defined norm for arbitrators to take as a guide when making awards', then, conclude the experts reviewing the situation in the United Kingdom, 'there can be no assurance that wage increases will in future be kept in line with the growth potential of the economy'.

Fundamentally, this is no longer – nor has it ever been – merely an economic problem. It is a major issue on which Governments must take a political decision.

<sup>1</sup> *The Times Review of Industry*. June 1961.

<sup>2</sup> 'Sustainable Growth,' R. C. Tress and J. Miles Fleming.

INDIAN TAXATION

## Business Connection Assessment

SINCE the subject of business connection assessment under the Indian tax code was raised in our issue of January 14th last, negotiations have been going on between the Government of India and the Federation of British Industries regarding the application of Section 42 of the Indian Income Tax Act to the profits made by British firms from trade with India. It will be of interest to readers that these discussions have at last resulted in agreement on certain vital points.

Broadly speaking, the following avenues of trade are involved in this recent agreement.

- (i) the British company sells to an Indian subsidiary;
- (ii) the British company allows an Indian customer facilities of extended credit for payment;
- (iii) the British company has an agent in India, but also makes sales direct to Indian customers without intervention by the agent; and
- (iv) the sales to Indian customers are made through the medium of the agency.

In the first category it has now been agreed that there will be no assessment to tax under Section 42 if (a) the contract of sale was made outside India, (b) the sale was made on a principal to principal basis, and (c) the subsidiary does not act in the matter as an agent of the British company. By itself the mere existence of a 'business connection' arising out of the parent-subsidiary relationship will not result in an assessment. Nor will the possibility that the British parent might exercise control over the affairs of the subsidiary.

Formerly, the provision of extended credit facilities to an Indian customer was a good *prima facie* reason for assessment. This will no longer be so where (a) the contract is made outside India, and (b) the sale is on a principal to principal basis.

Trouble and vexation largely stemmed in the past, however, from assessment in cases where British companies had an agency in India, but also sold direct to Indian customers while paying to their agent an overriding commission on all sales to India. Now there will be no assessment even where an overriding commission is paid, provided:

- (a) that the agent neither performs nor undertakes to perform any services directly or indirectly in respect of these direct sales;
- (b) that the making of the direct sales can in no way be attributed to the existence of the agency or to any trading advantage or benefit accruing to the British principal from the agency;

(c) that the contracts to sell are made outside India; and

(d) that the sales are made on a principal to principal basis.

Where direct sales are obtained through the services of an agent in India, a measure of assessment will still have to be contemplated. Under the agreement it will be limited to the amount of profit attributable to the agent's services if:

- (a) the British company's business activities in India are wholly channelled through its agent;
- (b) the contracts to sell are made outside India; and
- (c) the sales are made on a principal to principal basis.

In the assessment of this amount of profit, credit will be given for the expenses incurred in making the sales and these expenses will include the agent's commission, so that if the agent's commission fully represents the value of the profit attributable to his services, it should *prima facie* extinguish the assessment.

Should the British firm's business activities in India not be wholly channelled through the Indian agent, the assessment under Section 42 will be on the sum of the amount of profit attributable to the agent's activities and the amount of profit attributable to the firm's own activities in the country, less of course, the expenses incurred in making the sales concerned.

These agreed principles represent, it is suggested, a considerable advance and should contribute substantially to the easing of trade with India. In particular, the concession that an overall commission in itself should not bring about an assessment on the profits from direct sales negotiated without assistance from an Indian agent, will be welcomed. Nevertheless, a word of warning should be sounded. If an agent undertakes to perform after-sales service, this last concession might well be lost, and British exporters must still face up to the difficulties which will stem in practice from the phrase 'reasonably attributable to'. Nevertheless, bearing in mind that through it all run the twin principles of making contracts outside India and contracting on a principal to principal basis, exporters to India would now do well to re-examine their contracts of agency in the light of the principles set out above and to revise them where possible.



# Equities or Gilt-edged for Trustees?

by GORDON A. HOSKING, F.I.A., A.T.I.I.

**V**ARIOUS trusts and institutions have invested part of their funds in equity shares for a long time, but it is mainly in the post-war period that the 'cult of the equity' has come into prominence. Are we in danger of carrying it too far? As with many other things in this life, the answer may be 'it depends upon the circumstances'.

It seems that it will not be long before the new Trustee Bill reaches the Statute Book. Many trustees who have not so far had the opportunity to invest in equity shares will then be given that opportunity. It would be absurd if all rushed to sell gilt-edged securities and buy equities. Equities are not entirely suitable for all trusts, and further there would be chaos on the Stock Exchange. Gilt-edged prices would fall and equity prices would rocket. In fact, recent moves in prices in these directions have been partly due to anticipation of the effect of the new Trustee Act.

While it is easy to say this, the corollary is that trustees who are unskilled in the investment market must have proper advice, and it seems likely that professional people such as accountants, solicitors and actuaries as well as bank managers and stockbrokers are likely to receive more requests for advice than formerly.

## Wide 'Spread' Essential

If equities are to be bought, then an ample spread over different companies and industries is essential. However skilled the adviser may be, he is unlikely to be right every time. If a small part only of the trust fund is invested in any one company and that company's fortunes decline, the loss is proportionately small and may well be more than made up by the growing fortunes of other companies in which a share of the equity has been bought. But if a high proportion of the trust has been invested in that company the result may be calamitous for the beneficiaries.

This argument may well point to unit trusts or investment trusts as an investment. In *The Accountant* of December 17th, 1960, Mr Peter Bailly<sup>1</sup> mentions two trusts – in one, the value of the units appreciated from 10s to 45s 3d in thirteen years, in the other from 10s to 21s 3d in five years. In yet another – a unit trust especially designed

for and confined to pension funds – the unit value has appreciated from 20s to 48s 4d in under four years apart from dividends paid during that period.

This sort of appreciation is attractive but, in the author's opinion, while appreciation is likely to continue (subject to temporary fluctuations) it is not likely to be repeated to the same degree over the next decade as over the last decade. Apart from the fortunes of industry it must be remembered that until August 1959 the average equity share yield, as revealed by *The Financial Times* index, was higher (when measured by the last year's dividend) than the yield on 2½ per cent Consols – now the yield is over 1½ per cent less and there must be a limit to how much this 'reverse gap' can widen.

However, be that as it may, the purpose of this article is to examine the comparative effects of investing in gilt-edged and equity shares in varying circumstances.

## Effect on the Privately-invested Fund

Let us start by examining what is probably the simplest type of fund in this connection – the privately-invested pension fund approved under Section 379 of the Income Tax Act, 1952. In the comparison for such a fund, firstly, we are not concerned with income tax because this is recoverable as far as it is paid in the United Kingdom, i.e. up to the net United Kingdom rate, and, secondly, the same beneficiaries are interested in both capital and income.

Consider six such funds each having £10,000 available for current investment; one buys £14,035 of 3½ per cent Treasury Stock 1979–81 and holds it until redemption, which is assumed to take place at the latest date in 1981. It re-invests the gross income as received and, if the average reinvestment rate during the twenty years is 4½ per cent per annum, the income will have accumulated to £15,410, and £14,035 will be received on redemption. The £10,000 has thus increased to £29,445 in twenty years. Expressed as an average annual compound rate of growth, the true yield is about 5½ per cent per annum.

The second fund buys an equity share showing a 'yield' of 5½ per cent. The word 'yield' in this connection is a bit misleading – it really means

<sup>1</sup> 'Long-term growth of investments', *The Accountant*, December 17th, 1960, page 762.

TABLE 1

Trust Fund (1)	Dividend or interest in last year before purchase (2)	Required annual compound rate of growth (3)	Dividend required in				Assumed selling price at end of twentieth year (8)
			Fifth year (4)	Tenth year (5)	Fifteenth year (6)	Twentieth year (7)	
			£	£	£	£	
1	491	—	491	491	491	491	14,035
2	550	$\frac{3}{8}$	560	571	582	593	10,775
3	450	$1\frac{3}{8}$	482	516	552	591	13,140
4	350	$2\frac{1}{4}$	391	437	489	546	15,605
5	250	$3\frac{1}{2}$	293	344	404	474	18,960
6	150	$4\frac{1}{8}$	184	225	275	337	22,445

the last year's gross dividend divided by the buying price plus the expenses of buying (including the 2 per cent stamp duty which is not payable on gilt-edged purchases). The real yield can only be known when all future dividends have been announced and paid. That is the problem we are going to examine.

The third fund buys an equity share showing a 'yield' of  $4\frac{1}{2}$  per cent — the fourth, one 'yielding'  $3\frac{1}{2}$  per cent — the fifth,  $2\frac{1}{2}$  per cent and the sixth,  $1\frac{1}{2}$  per cent.

By how much must the dividend and the capital value of the equity shares increase so that the five funds buying them each do as well as the first which purchased gilt-edged? We will assume, as before, that the dividend income is re-invested on average at  $4\frac{1}{2}$  per cent per annum and that the equity shares are sold at the end of twenty years.

We must make some assumption as to how the price will increase as the dividend increases. There is no fixed rule about this but, for the sake of being able to do some arithmetic let us assume that if, for example, the dividend doubles, the price will also double.

Table 1 shows the position on the above assumptions if the final accumulated values are to be approximately the same in each case.

It will be found that if the dividends in the twenty years be accumulated at  $4\frac{1}{2}$  per cent per annum and the total be added to the value in column (8) above, the total in each will be just about equal to £29,445 as in the case of the first fund. Thus for example, on these assumptions a

share 'yielding'  $3\frac{1}{2}$  per cent (Trust Fund No. 4) needs to do little more than increase by one and a half times in dividend and price over twenty years and the true yield is the same as the Treasury Stock. Naturally one would look for a better result than this by investing in the equity share, and if the dividend and price doubled, the accumulation in Trust Fund No. 4 would, at the end of the twenty years, be £35,385, and if they trebled, £48,815. Trebling in twenty years is by no means out of the question (the average true yield would then be about  $8\frac{1}{4}$  per cent per annum compound). The three unit trusts referred to earlier showed even better results — four and a half times in thirteen years, over twice in five years and nearly two and a half times in four years — in the last case the capital appreciation was proportionately greater than the dividend increase, but this would not seriously affect the calculation.

### The Accumulation Trust

If we were dealing with an accumulation trust subject to income tax at the standard rate on the interest and dividends, the accumulation in Trust Fund No. 1 would be reduced to £21,915. The same sort of arithmetic could be done and Table 2 below would result from the same investments as in Table 1.

Thus, for example, the price and dividend of a share 'yielding'  $3\frac{1}{2}$  per cent gross (2.14 per cent net) would need to increase 1.486 times to produce the same final total as the Treasury Stock.

It is of some interest to compare the results in Tables 1 and 2. In the case of Trust Fund Nos.

TABLE 2

Trust Fund (1)	Net Dividend or interest in last year before purchase (2) £	Required annual compound rate of growth (3) Per cent	Net dividend required in				Assumed selling price at end of twentieth year (8) £
			Fifth year (4) £	Tenth year (5) £	Fifteenth year (6) £	Twentieth year (7) £	
1	301	—	301	301	301	301	14,035
2	337	1	354	372	391	411	12,200
3	275	1½	297	320	345	371	13,470
4	214	2	236	261	288	318	14,860
5	153	2⅝	174	198	226	257	16,795
6	92	3⅛	107	125	146	170	18,510

2 and 3, the necessary appreciation to equate to Trust Fund No. 1 is greater when the dividend is subject to tax than when it is not, but the reverse is true of Trust Fund Nos. 4, 5 and 6. The reason for this is, of course, that dividends, and so the differences in the tax deductions, have more effect on the accumulation in Trust Fund Nos. 2 and 3 than in Trust Fund No. 1, but in Trust Fund Nos. 4, 5 and 6 capital appreciation carries more weight than in Trust Fund No. 1.

### **The Family Trust – A more Difficult Case**

A far more difficult case to consider is the normal type of family trust where one person has a life interest and another the reversion to the capital. Consider how investment on the lines of Trusts Nos. 1 to 6 in Table 2 would work out and assuming (as in that table) that the income suffers standard rate income tax, but no surtax, and ignoring for the moment any estate duty on the death of the life-tenant.

In Trust No. 1 the life-tenant's annual net income would be level at £301 but the reversioner's prospective capital would have increased from £10,000 to £14,035 if the life-tenant were still alive after twenty years. In passing, it may be noted that had a gilt-edged stock standing nearer to par been bought the income would, of course, have been higher but the capital appreciation lower.

In the case of Trust Fund No. 2 the life-tenant would have had an income from the start greater than No. 1 and it would have increased, but the capital appreciation for the reversioner would have been less. In Trust Fund No. 3 the net income would start a little lower but would become greater than in No. 1 but the capital appreciation would be less although more than in No. 2. In Trust Fund No. 4 the net income is lower except for the last three years but the capital appreciation is greater than in No. 1. In Trust Fund Nos. 5 and 6 the income is lower throughout but the capital appreciation is greater than in No. 1.

If the life-tenant has a high income subject to surtax, figures similar to those in Table 2 could be produced but it may well be that he or she will be content to accept a lower income by following the lines of Trusts Nos. 5 and 6 for the sake of possible capital appreciation for the benefit of a surviving family – but in those circumstances estate duty, which would probably be at a substantial rate, will be increased and this will present a case for very nice judgment as to whether equities should be bought and, if so, whether high yielding ones or low yielding

ones are the more suitable. The expectation of life of the life-tenant also has an important bearing in this connection.

### **Question of Breaking the Trust**

This raises the question as to whether the opportunity to invest in equity shares may not strengthen the argument for breaking trusts, an operation which has been common during the past few years. This, of course, brings many other factors into consideration (including the estate duty problem if the life-tenant dies within five years of the date of breaking) but it is certainly worth considering whether, if the life-tenant and reversioner are given amounts (over which they have absolute control) equal to their actuarial interests in the trust fund, both may not do better by investment in equity shares (and if thought fit the whole could then be invested in equity shares because the Trustee Act would no longer apply even if it did to the trust before being broken). Alternatively, after the trust is broken, the life-tenant may be able to buy an annuity which is only partially subject to income tax (and surtax if applicable) under the Finance Act, 1956, while the reversioner invests in equity shares.

Certainly a whole new world will open for the trustee who finds himself, for the first time, able to invest in equity shares. There may well be many unfortunate mistakes made if adequate advice is not available.

The question as to whether the prices and dividends of individual shares are likely to increase or not has deliberately not been discussed in this article – so many different factors are involved – mining shares, aircraft shares, engineering shares, consumer goods shares, insurance company shares, etc. require such different considerations that a good deal of experience is required and even then no one will ever be 100 per cent right when making a selection of individual shares. With an adequate well-chosen spread, however, the chance of going wrong in total becomes much smaller. One comment, however, may be relevant: it does not follow that because one share is showing a 'yield' lower than another that, of necessity, the capital appreciation will be greater – there are many examples where the reverse has been the case. Further, it does not follow that a share which is now on a 'yield' basis of, say, 1½ per cent can be sold on a similar basis at a later stage. Changes in 'yield' basis may indicate that a switch from one security to another is appropriate.

# Capital Budgeting—II

by N. H. GREEN, F.C.A.

## Profitability Calculations

THE first article, in the last issue, was devoted to general problems in capital budgeting and its organization within the company. The next step is to consider methods of calculating the estimated profitability of investment proposals. A clear distinction has already been made between 'replacements and improvements' and 'expansion projects', and for these two classes of investments different methods of calculating profitability are applicable.

Before discussing methods of calculating profitability it would be helpful to define the principal factors which must be the basis of any calculation of this kind. They are:

- (1) The amount of the investment;
- (2) the income which it produces;
- (3) the life of the investment, that is the period during which it will produce income;
- (4) the timing of the investment and resulting income.

Each of these factors will vary according to the project and any method of calculating profitability should take account of each factor. Note, however, that if any one factor is constant for a particular class of investments it may be ignored for the purpose of establishing the relative desirability of each investment. These four factors will be referred to in the following paragraphs in which the merits of various methods are examined.

## Payback Period

In the replacements and improvements budget many items will have no financial justification at all or the benefits will be such that it is impossible to express them in figures. However, some of the projects may be justified by a reduction in operating costs, and for these proposals it is desirable to use a standard method of calculating profitability. From the financial point of view the main features of this kind of project are:

- (a) The investment will be completed in a relatively short period, usually not more than one year;
- (b) the full savings in operating costs will be realized almost as soon as the expenditure has been incurred.

The widely-used 'payback' method is usually suitable for this kind of investment project. The annual savings are compared with the investment in order to ascertain the 'payback period' or number of years necessary to recover the original investment out of the savings. Returning to the four factors mentioned in the preceding paragraph 'payback' takes into account the amount of the investment and the income, but it ignores timing and the life of the investment. If we accept (a) and (b) above as characteristic of this class of investment, timing is

not an important factor, since it is more or less uniform in all projects. The principal disadvantage of payback is that it ignores the life of the investment, which may vary considerably as between one project and another.

The main element of a payback calculation is the estimate of the economies in direct factory costs to be achieved by the proposed investment. There is a natural tendency to be over-optimistic and calculations by production experts, methods engineers, etc., should be scrutinized most carefully by senior technical management. The payback method is basically a 'treasury' calculation showing how quickly the cash investment will be recovered out of the resulting increase in cash incomes. Therefore, depreciation of fixed assets must not be taken into account, but income taxes on the savings definitely should be, and the computation of taxes should take into account initial allowances and annual allowances on the capital expenditure. The accompanying illustration shows a specimen form in which the calculation has been simplified by taking into account average fiscal allowances over the first five years.

It was mentioned above that payback does not take into account either timing or expected life and so for important expansion projects in which these elements may vary very much the method is generally inadequate.

## Return on Investment

The only sound criterion for assessing the financial aspect of expansion projects is an estimation of the return on the proposed investment. In the past, accountants have used one of two classic methods for calculating return on investment:

- (1) Return on original investment;
- (2) return on average investment: since the investment is amortized over the estimated life, the average investment is considered to be half the total outlay.

The annual income, diminished by the amortization (original investment divided by estimated life), is divided by either the original investment or the average investment. Returning once more to the four factors previously mentioned, these methods of calculating return on investment take into account the investment, the income and the life of the investment, but not the timing of the cash outlay and the resulting income.

Both these methods are in current use, despite the fact that the return indicated on the 'average investment' is exactly double the return on 'original investment'. It would be possible to adopt one of these methods and apply it consistently, but even so the results would be unsatisfactory. Consider the

following three projects, for which the investment and total income is identical.

Example 1	Project A	Project B	Project C
Investment ..	£100,000	£100,000	£100,000
Life ..	10 years	10 years	10 years
Income:			
Years 1 to 3 ..	30,000	20,000	10,000
4 to 7 ..	20,000	20,000	20,000
8 to 10 ..	10,000	20,000	30,000
Total ..	200,000	200,000	200,000
Return on original investment ..	10%	10%	10%
Return on average investment ..	20%	20%	20%

Any investor would clearly be more attracted to project A which promises a much larger income in the early years, but the return indicated by the classic methods of calculation for each project is identical.

### Present Value Concept (Financial Method)

Although the classic methods described in the preceding paragraphs establish a relationship between capital invested and income to be received, they have grave defects. They compare a present payment (the investment) with future income, without taking into account the fact that the more distant the receipt of the income, the lower is its present value. Thus these methods establish a relationship between two different objects. It is clear that £1,000 available today are worth more than £1,000 to be received in ten years time. Future income can be compared with present payments (investments), only if it is discounted to its present value.

The determination of the present value of the *capital invested* does not present any great problem. If it consists more or less of a single payment to be made in the near future (spread, perhaps, over a year) no time correction is necessary. If the investment will be spread over several years, future pay-

ments should be discounted to the date of the first payment.

Future income should be discounted to the year in which the first investment is made, so that all payments and receipts are valued as at the same date.

The discounting of future income is based on well-known principles of compound interest. If a machine produces an income of £1,000 annually for ten years, the £1,000 earned in the first year is worth more than the £1,000 which will be earned in the tenth year. The reason is that £1,000 obtained in the first year can again be invested or deposited in the bank where they will produce further income for nine years.

Taking a concrete example, the present value of a pound to be received one year later, using a rate of 4 per cent, is £.962. Proof: if £.962 were deposited

<b>PROFITABILITY CALCULATION</b> to be completed only if the object of the investment is a reduction in costs.	Factory: .....
	Department: .....
	Budget 19..... Prop. No.....

#### Estimate of Net Economies

Currency.....	Cost per unit - complete only columns where changes in cost are expected					
Unit of production.....	Total	Labour	Raw Mat. Wrap. Mat.	Steam	Power	Maint. and Repairs
(a) With existing equipment	.....					
(b) With proposed equipment	.....					
(c) Net economies per unit (a - b)						

(d) Estimated average annual production for next five years ..... units

Total average annual economies, (d) × (c).....	..... (1)	Note. - If the space provided in this form is insufficient the calculation of the economies should be shown on a separate sheet and attached hereto.
Less taxes (see below).....	..... (2)	
Annual economies after taxes.....	.....	
Cost of the equipment (per form 1).....	.....	
<b>Pay-back Period</b> ..... Years		Use of equipment to be replaced: <input type="checkbox"/> Reserve <input type="checkbox"/> Transfer to another factory <input type="checkbox"/> Sale as scrap <input type="checkbox"/> Sale to third parties
<b>Calculation of Taxes</b> Total average annual economies as above ..... (1) Less annual fiscal depreciation (average of first five years) Additional Taxable Profit ..... Taxes at ..... per cent ..... (2)		Sale Value..... Written-down book value.....

Remarks.

Date .....

Signature .....



n the bank at 4 per cent, it would be worth exactly £1 after one year. To obtain £1 at the bank after five years, at 4 per cent, only £.822 need be deposited. Compound interest would increase this sum to £1 at the end of five years. All the present values indicated in these notes can be found in the accompanying discount table.

Let us now develop this theory a little further and consider a series of ten payments of £1,000 to be received annually. The present value of these receipts at a rate of 4 per cent is as follows:

Present value of £1,000 at 4 per cent received after	£
1 year .. .. .	962
2 years .. .. .	925
3 " .. .. .	889
4 " .. .. .	855
5 " .. .. .	822
6 " .. .. .	790
7 " .. .. .	760
8 " .. .. .	731
9 " .. .. .	703
10 " .. .. .	676
Present value of annual income of £1,000 for ten years .. .. .	<u>£8,113</u>

In other words £8,113 deposited at the bank today is equivalent to £1,000 deposited annually for ten years.

This relationship between a single payment (investment) and a series of payments can be used to help to solve problems of return on investment. If a machine costs £8,113 and earns an income of £1,000 for ten years the return on the investment must be 4 per cent. The rate of 4 per cent is the only rate at which the present value of an annual income of £1,000 for ten years is £8,113. At 6 per cent the present value of this income would be £7,360 and at 2 per cent it would be £8,983. In other words, *the rate of interest at which the present value of the income is equivalent to the present value of the investment is the rate of return on the investment.*

The application of this theory depends upon the fact that one can determine what rate of interest

applies in each particular case, i.e. when the investment, the estimated income and the life of the project are known, the rate of interest – which is the rate of return on the investment – can be calculated. The nature of this rate of return should be quite clear: if an investment of £8,113 earns an annual income of £1,000 for ten years the return is 4 per cent; that means that the income will be sufficient to repay the original investment of £8,113 and to provide 4 per cent on the capital outstanding during the estimated life.

This method will now be used to make a very simple rate of return calculation for an investment project.

#### Example II

Investment .. .. .	£1,000
Life .. .. .	3 years
Income:	£
Year 1 .. .. .	400
" 2 .. .. .	500
" 3 .. .. .	600
Total .. .. .	<u>£1,500</u>

The rate of return is the rate of interest at which income totalling £1,500 has a present value of £1,000 (the amount of the investment) and this rate can only be obtained by trial and error. Twenty per cent was selected as a starting-point and when this was seen to be too low (present value of total income still higher than original investment) 22 per cent was tried. The discount factors are taken from the table below.

Income	20 Per cent		22 Per cent	
	Discount factor	Present value	Discount factor	Present value
Year 1 – 400 ..	.833	333	.820	328
" 2 – 500 ..	.694	347	.672	336
" 3 – 600 ..	.579	347	.551	330
		<u>£1,027</u>		<u>£994</u>

DISCOUNT TABLE

Year	2%	4%	6%	8%	10%	12%	14%	16%	18%	20%	22%	24%	26%	28%	30%
1	.980	.962	.943	.926	.909	.893	.877	.862	.847	.833	.820	.806	.794	.781	.769
2	.961	.925	.890	.857	.826	.797	.769	.743	.718	.694	.672	.650	.630	.610	.592
3	.942	.889	.840	.794	.751	.712	.675	.641	.609	.579	.551	.524	.500	.477	.455
4	.924	.855	.792	.735	.683	.636	.592	.552	.516	.482	.451	.423	.397	.373	.350
5	.906	.822	.747	.681	.621	.567	.519	.476	.437	.402	.370	.341	.315	.291	.269
6	.888	.790	.705	.630	.564	.507	.456	.410	.370	.335	.303	.275	.250	.227	.207
7	.871	.760	.665	.583	.513	.452	.400	.354	.314	.279	.249	.222	.198	.178	.159
8	.853	.731	.627	.540	.467	.404	.351	.305	.266	.233	.204	.179	.157	.139	.123
9	.837	.703	.592	.500	.424	.361	.308	.263	.225	.194	.167	.144	.125	.108	.094
10	.820	.676	.558	.463	.386	.322	.270	.227	.191	.162	.137	.116	.099	.085	.073
11	.804	.650	.527	.429	.350	.287	.237	.195	.162	.135	.112	.094	.079	.066	.056
12	.788	.625	.497	.397	.319	.257	.208	.168	.137	.112	.092	.076	.062	.052	.043
13	.773	.601	.469	.368	.290	.230	.182	.145	.116	.093	.075	.061	.050	.040	.033
14	.758	.577	.442	.340	.263	.205	.160	.125	.099	.078	.062	.049	.040	.032	.025
15	.743	.555	.417	.315	.239	.183	.140	.108	.084	.065	.051	.040	.031	.025	.020

Note. – The table shows the present value of £1 to be received in one payment at the end of the year indicated.

The rate required is between 20 per cent and 22 per cent and by *interpolating* a rate of 21.6 per cent is obtained, which is the rate of return on the project. In other words, the income arising from the investment is sufficient to repay the capital during the life (three years) and pay an income of 21.6 per cent on the outstanding investment. This is proved in the following calculation:

Year	Out- standing investment	Interest at 21.6%	Annual income	Available to amortize the investment
	A	B	C	C - B
	£	£	£	£
1	1,000	216	400	184
	— 184			
2	816	177	500	323
	— 323			
3	493	107	600	493
	— 493			

This illustrates clearly a very important principle which should be understood by everybody using return on investment figures calculated by the financial method. Interest at the rate indicated is earned on the *outstanding balance of the investment* which diminishes to zero at the end of the life, and *not* on the *original investment* throughout the life.

It is interesting to note the return on this project which would have been indicated by the classic methods:

	Per cent
Return on original investment	.. 16.6
Return on average investment	.. 33.3

Let us also return for a moment to Example 1. The return on each project, calculated by classical methods, is 10 per cent on original investment and 20 per cent on average investment. Calculated by the financial method the return is:

	Per cent
Project A .. .. .	20
„ B .. .. .	15
„ C .. .. .	12

The above results illustrate clearly that the financial method takes into account the time element. Other factors being equal, the financial method shows a more favourable result in respect of projects which generate a high income in early years. This is logical, because the earlier repayment of the investment enables funds to be invested in other projects which will earn further income.

### Advantages of the Financial Method

The advantages of the financial method of calculating return on investment can be summed up as follows:

- (1) It gives a rate of return based on the capital actually invested throughout the life. Both the other methods give an approximation of the return; the original investment method usually understates the return and the average investment method usually overstates it.
- (2) It makes allowances for differences in the time at which investments generate income.
- (3) It gives figures which can be compared with yields on actual investments in the business and with interest rates for borrowed funds, etc. Thus a direct comparison can be made between the project and the cost of borrowing money, which is not possible with the other methods.
- (4) It obliges the persons submitting an investment proposal to make a comprehensive study in order to estimate all the elements required to complete the calculation.

In the concluding article some of the problems involved in the collection of data for a return on investment calculation and in the practical application of the present value method will be examined.

(To be concluded.)

# The Accounting World

## TOPICS OF PROFESSIONAL INTEREST FROM OTHER COUNTRIES

### CANADA

#### Capital Gain or Taxable Income?

**M**OST recent in the series of tests adopted by Canadian Courts to distinguish capital gains from taxable income is that of 'secondary intention'. The secondary intention concept applies, wrote a contributor to *The Canadian Tax Journal* recently, where the original intention was investment but, at the same time, the taxpayer chose the subject of investment with the idea of sale at a profit if his investment project failed. The chances are that any profit made in carrying out the secondary intention will be ruled taxable income by the Canadian Courts.

The concept was expressly stated in Canada, for the first time, in the *Bayridge Estates* case in 1959,

where land bought for the purpose of building a motel was sold at a profit when the plan fell through. The judge deduced the secondary intention since the appellant company must have had in mind 'the most obvious alternative course open to them for turning the property to account for profit'. In the *Regal Heights* case of 1960, the Supreme Court of Canada supported the new concept. The company had bought land for a shopping centre from which to derive rental income but abandoned the plan when the anticipated lessee did not materialize. The Court gave a four-to-one judgment in favour of the taxable nature of the profit made on resale of the land. The sole dissenting judge considered that the 'motivating intention' of the company was to buy land for a shopping centre and did not think the evidence supported

the view that the appellant would have bought the lands as a speculation looking to a resale.

Another 1960 case, *Sterling Paper Mills Inc v. I.N.R.*, showed that another element, 'commercial animus', must be present for the profit on sale to be taxable income. Here the appellant company had to buy all the assets of a company to acquire a paper mill which it wanted. Among the unwanted assets were timber limits which were sold at a profit. The Exchequer Court held this to be a capital gain since the company had not dealt with the limits in the manner of a trader. It would be 'foreign to any commercial animus' for a trader to act as the company had done. It would seem then, concludes the contributor, that any intention, whether primary or secondary, must have a commercial animus if it is to reduce taxable income.

## NEW ZEALAND

### The Society's New President

MR N. B. FIPPARD, M.B.E., F.P.A.N.Z., a partner in the firm of McCulloch, Butler & Spence, public accountants, of Hastings (Hawke's Bay District), is the new President of the New Zealand Society of Accountants.



Mr N. B. Fippard

Since his election to the Council of the Society, Mr Fippard has served on most of its committees. He is a well-known authority on farm accounting both within and outside New Zealand.

Mr Fippard delivered a paper surveying the future of accounting education in New Zealand on the occasion of the Society's golden jubilee convention held in Wellington on March 19th, 1960. At the Second Asian and Pacific Accounting Conference held in Canberra, Australia, he was chairman of the sessions on accounting and auditing standards and delivered one of the background papers at the session on education and training for accountants.

## UNITED STATES

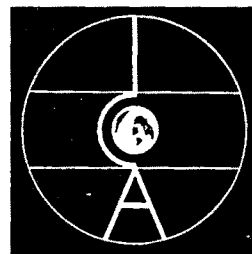
### Eighth International Congress

THE American Institute of Certified Public Accountants, the organizing body for the Eighth International Congress of Accountants to be held in New York from September 23rd to 27th, 1962, estimate that between four and five thousand persons will be attending the Congress. In answer to invitations sent out last December it is anticipated that attendance of members from accounting societies in

the following countries will be: Canada 300; Netherlands 100; Germany 50; Mexico 150 and United States 1,400.

A registration fee of \$40 will be charged for each person from outside the United States who registers at the Congress. This will include the cost of a buffet supper, one luncheon for men and two for the ladies, and the grand ball, as well as tickets for admission to all planned entertainment events. A list of hotel accommodation showing a wide range of costs is in course of preparation.

A symbol for the Congress was recently completed, the design being built round the initials 'ICA', with the world centred in the curve of the 'C', denoting the world-wide applicability of accounting. The symbol will be used on all printed material concerned with the Congress. A model approximately three to four feet in diameter, made of burnished brass wire, with the globe made to revolve, is to be installed at the Waldorf Astoria Hotel - the Congress headquarters. The symbol was designed by Mr S. Neil Fujita of New York.



## SOUTH AFRICA

### International Money Market

THE latest effort to stop the loss of gold and foreign exchange reserves (which had fallen to £72 million at the birth of the Republic) has been the imposition of restrictions on the purchase of forward exchange for imports of consumer goods and for share transactions. Steps against the latter are designed to curb the activities of local operators wishing to remove capital from the country, who send South African securities to London and deposit the proceeds of their sale in England. The shares then find their way back to South Africa through normal arbitrage dealings, and down go the reserves.

The Government has asked the International Monetary Fund for permission to draw the second tranche of £13½ million, and a three-man commission recently visited South Africa to investigate the request. The payment of the first tranche is usually automatic, being no more than a repayment of the country's original contributions to the Fund, but subsequent drawings are at the discretion of the I.M.F. The present position in the case of South Africa is complicated by the fact that the need for a second tranche is brought about not by an adverse balance of trade but by a flight of capital. The I.M.F. is concerned with financial rather than political factors, and whilst it is difficult to estimate how far the latter impinge upon the former in the present instance, the representatives of the Fund must have been impressed with the soundness of the recent measures taken to deal with the financial aspect.

# Weekly Notes

## Birthday Honours

IT is with pleasure that we offer our congratulations to those members of the profession whose names appeared in the Birthday Honours List.

Mr Basil Smallpeice, B.COM., F.C.A., managing director, British Overseas Airways Corporation, becomes a Knight Commander of The Royal Victorian Order. Mr Smallpeice has been managing director of B.O.A.C. since 1956 and is a past member of the Council of The Institute of Chartered Accountants in England and Wales. Two members of the profession receive the C.B.E.: they are Lieut.-Col. R. M. Chapman, T.D., D.L., M.A., J.P., F.C.A., a partner in the firm of Henry Chapman, Son & Co, Chartered Accountants, of South Shields, for political and public services; and Col. R. D. Sherbrooke-Walker, T.D., D.L., F.C.A., vice-chairman, Army Cadet Force Association.

The O.B.E. has been awarded to Mr L. F. Cheyney, F.I.M.T.A., F.S.A.A., secretary of The Institute of Municipal Treasurers and Accountants; Mr William Macfarlane Gray, J.P., F.A.C.C.A., a Past President of The Association of Certified and Corporate Accountants, a member of the Council of the Association, and senior partner in the firm of Macfarlane Gray & Co, Certified Accountants, of Stirling; Mr N. M. Ireland, C.A., a partner in the firm of Price Waterhouse & Co, Bogota, Colombia; Mr L. E. Warner, M.COM., F.A.C.C.A., chief executive officer, Ministry of Aviation, and Mr C. H. Stewart, J.P., M.A., LL.B.(GLAS.), C.A., secretary and registrar, University of Edinburgh.

The M.B.E. has been awarded to Mr W. D. Austin, F.C.A., works accountant, Atomic Energy Authority, Preston, and Mr A. J. Miller, M.A., LL.B., C.A., A.S.B.I., general manager and actuary, Aberdeen Savings Bank, Aberdeen.

## New Institute Statement

THE report of the May meeting of the Council of The Institute of Chartered Accountants in England and Wales appearing elsewhere in this issue, contains an important statement on the ethical aspects of the use of companies by members of the Institute in practice. Three main points are made by the Council, the first of which stresses the personal responsibility of every member for his professional conduct. The second underlines the first by stating that no member can do through the guise of a company or firm what he is not permitted to do as an individual; and the third expresses the view that there are no ethical objections to members using an *unlimited* company as long as the functions it performs fall within the law and, also, that the resources of a *limited* company may be used to provide services to a practising accountant necessary to the execution of his professional duties. The Council lists a number of provisos which apply to the running and to the policies of all such companies.

Finally, the Council points out that its observations are confined to the question of ethics and that the desirability or otherwise of operating separate companies for the uses indicated, lawful though they may be, is another matter. It also reminds members that its 1945 statement, *Executorship and Trustee Companies*, has now been withdrawn and hopes that companies at present operating under the authority of that statement will be made to conform to the letter and spirit of the latest pronouncement.

## Stock Valuation and the Inland Revenue

THE attention of readers is directed to a letter received by the Institute from the Inland Revenue, reproduced in the report of the proceedings of the Council on page 767 of this issue. It concerns a method of stock valuation used in the retail drapery trade, particularly departmental stores.

The Inland Revenue recognize that the attribution of a cost figure to each article may be impossible or impracticable, in which case the practice is to value at selling price less the normal mark-up. The original



Mr Basil Smallpeice  
K.C.V.O.



Mr W. Macfarlane Gray  
O.B.E.



Mr L. F. Cheyney  
O.B.E.

full selling price is, of course, often marked down. The Revenue accept the practice of taking the current marked selling price and deducting the mark-up from that. It follows that some goods will thus be valued below cost, although they may eventually sell above cost. Any such undervaluation may well be balanced by overvaluation where goods are subsequently marked down still further. The Revenue will not, however, countenance 'strained variations' of the method where, for instance, a trader takes a figure less than selling price and then deducts the mark-up.

### Municipal Treasurers' New President

MR AMES LYALL IMRIE, C.B.E., F.I.M.T.A., M.C.A., City Chamberlain of Edinburgh, was installed yesterday as President of The Institute of



Mr A. L. Imrie

Municipal Treasurers and Accountants at the annual conference of the Institute held at Blackpool.

Mr Imrie was born in Dundee in 1908 and educated at Morgan Academy. On leaving school, he was apprenticed to a local firm of chartered accountants and after qualifying as a chartered accountant he spent a few years in a professional office, until, in 1934, he re-

ceived an appointment in the City Chamberlain's Department in Dundee.

He qualified as an Associate of The Institute of Municipal Treasurers and Accountants in 1938, winning the prize for the best essay in the Final examination, and was promoted Depute City Chamberlain of Dundee in 1941, at the age of 32. In 1947 he was appointed City Chamberlain.

In 1951 he was appointed City Chamberlain of Edinburgh in succession to Sir John Imrie (who was President of the Institute in 1938).

Mr Imrie was elected a Fellow of the Institute in 1941, became a member of the Institute Council in 1953, and was Chairman of the Scottish Branch for 1957. He was appointed a C.B.E. in the New Year Honours this year.

As City Chamberlain of the capital city of Scotland, Mr Imrie has many interests outside the duties of his post. He is, for instance, honorary treasurer of the Edinburgh Festival. Other honorary treasurerships include those of the Heriot Watt College, the Edinburgh College of Art and the National Joint Industrial Council for local authority services in Scotland. He is a governor of the Police College, a member of the Scottish Savings Committee, Chairman of the Standing Committee on Borrowing

in Scotland, and Treasurer of the Forth Bridge Authority. He has also served on many advisory committees on local government finance appointed by the Secretary of State for Scotland.

A few years ago he visited Sweden at the request of the Royal Institute of Public Administration to prepare a report on local income tax.

The new Vice-President of the Institute is Mr Norman Doodson, F.I.M.T.A., County Treasurer, Lancashire.

### Service Without Stint

THE idea that membership of the council of a professional body means something more than an occasional day off from work combined with frequent opportunities for social conviviality, is strikingly demonstrated by the figures which the Immediate Past President of The Institute of Chartered Accountants in England and Wales quoted from his time diaries in the course of his valedictory speech at last week's meeting of the Council. During the past three years, Mr Pears has devoted 1,900 hours to the affairs of the Institute and to this total – more than a year's working time – has to be added a substantial amount of travelling and other time spent getting to, and attending, Institute functions. Discounting the demands on his digestion and the encroachment on his leisure which the execution of such an arduous programme must have entailed, and without putting too mercenary a complexion on the statistics in order to draw a moral therefrom, the hours spent by Mr Pears, multiplied by his appropriate time-rate for the job, must come to a sum if not beyond the dreams of avarice then certainly beyond those of the average small practitioner. All that is required to make the figure even more impressive is to aggregate the time spent by all the members of the Council over the past three years and cost it on a similar basis.

Critics of the Council would do well to reflect on the implications behind these simple, hypothetical calculations before making charges that the interests of this or that section of the vast membership of the Institute are not being adequately looked after. The truth is that the Council keeps a careful and constant watch on the whole range of members' professional activities and, in particular, when Mr Granger and Mr Carpenter in their first speeches as President and Vice-President, respectively, made reference to paying particular attention to the affairs of the small practitioner they were not announcing a new policy but simply reaffirming one which always has been – and will continue to be – very much in the forefront of the collective mind of the Council.

### The Board of Trade and the Jenkins Committee

THE minutes of evidence of the 20th day of the public sittings of the Company Law Committee were published on Wednesday<sup>1</sup> and they make

<sup>1</sup> H.M.S.O. 4s 6d net.



extremely interesting reading. Practically half of the publication consists of a summary made by the Board of Trade of much more voluminous evidence submitted by it. The summary is a very meaty document indeed, and notwithstanding the somewhat cautious and impartial tone in which it is cast, it sets out some views which are clearly very strongly held. Unlike The Institute of Chartered Accountants in England and Wales, the Board of Trade would not be sorry to see the end of the words 'true and fair'. On the other hand, the Board does think that all companies, exempt or otherwise, should have professional auditors and should file accounts.

The memorandum says it is for consideration whether the duties of auditors in relation to checking directors' statements should be clarified in any new Act. It has been represented to the Board that Section 161 (2) of the present Act should be amended so as to prevent the auditor of a company providing from his staff the board of directors and the secretary; and further so as to prevent the same individual from acting both as auditor and as registrar (or transfer agent). The Board thinks that holding companies should disclose the identities of their subsidiaries in the balance sheet, and vice versa.

A strong team of officials, including the Permanent Secretary, Sir Richard Powell, K.C.B., K.B.E., C.M.G., gave oral evidence lasting most of the day. This day's minutes – perhaps the most informative of all – completes the publication of oral evidence taken before the Committee to date. The Committee does not intend to call further witnesses unless questions arise, during consideration of the evidence which it already has, which require this.

### Building Societies Report

PART 5 of the report for 1960 of the Chief Registrar of Friendly Societies, dealing with Building Societies, was published last Monday,<sup>1</sup> together with Appendix III, published as a separate booklet,<sup>2</sup> containing the reports of Mr W. H. Lawson, C.B.E., B.A., F.C.A., as inspector inquiring into the affairs of the State Building Society.

The chief event during the year affecting building societies was the passing of the Building Societies Act, 1960. The report refers to the Act's principal provisions which strengthen the Chief Registrar's powers with a view to safeguarding investors' interests.

Although building society business generally showed good progress during 1960, this was less marked than in 1959. The total of share, deposit and loan capital (excluding bank loans and advances from the Government under the provisions of the House Purchase and Housing Act, 1959) increased by £206 million compared with an increase of £276 million in 1959. The increase in total assets was £259 million as against £286 million in the previous year, bringing the total assets at the end of 1960 to £3,166 million. The average overall rate of interest on shares was 3.37 per cent compared with 3.43 per cent in 1959, and the average mortgage interest was 5.89 per cent compared with 5.98 per cent in 1959.

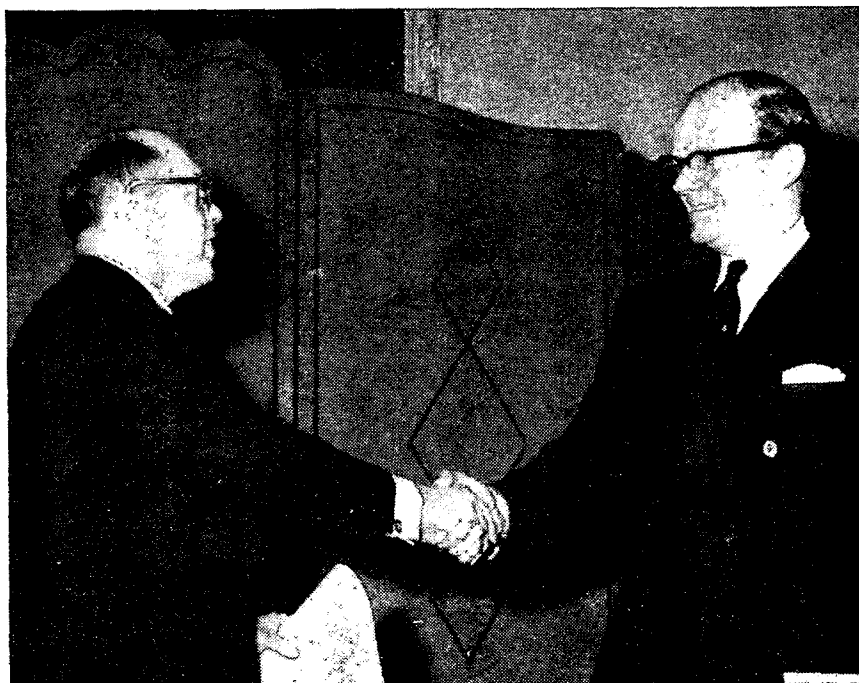
Although the amount of £559 million advanced on mortgage was £42 million more than was advanced in 1959 (the previous record year), this was affected by Government advances to some societies for older

<sup>1</sup> H.M.S.O. 4s net.

<sup>2</sup> H.M.S.O. 3s 6d net.

### Award for Outstanding Service

MR IAN MORROW, C.A., F.C.W.A., a Past President of The Institute of Cost and Works Accountants (*right*) receiving the Institute's gold medal 'for outstanding services to the profession and the Institute in particular', from the retiring President of the Institute, Mr W. S. Risk, B.COM., C.A., F.C.W.A., during the thirty-second National Cost Conference held recently in London.



type property. The year ended with 2,350,000 borrowers holding 2,380,000 mortgages, the average mortgage debt being £1,112. The total outstanding on mortgages increased during 1960 by £241 million to £2,648 million.

Changes in the list of societies 'designated' for the purpose of Section 1 of the House Purchase and Housing Act, 1959, are included in the report together with an indication of the considerations taken into account by the Chief Registrar to satisfy himself that a society is suitable for designation. Designated societies totalled 218, their assets being equivalent to over 94 per cent of those of all registered societies.

The Chief Registrar points out that the past year's events once more emphasize the importance of investors exercising caution when investing savings in societies and reminds would-be investors that it is now open to them to inquire of a society whose assets exceed £½ million whether it has trustee status. Three investigations under Section 11 of the Prevention of Fraud (Investments) Act, 1958, were completed during the year resulting in three orders being made forbidding the societies concerned or anyone on their behalf to invite further capital.

Referring to the form of accounts to be sent to members under the 1960 Act, the Registrar states that many societies – and their auditors – seem to be unfamiliar with the provisions of the Act and the regulations made thereunder. Cases had come to his notice where (i) societies had prepared their accounts to members in the form of the previous annual account and statement, (ii) societies had not attached a directors' report containing the information required by Section 43 (3) of the 1960 Act and (iii) auditors had not reported in the required terms. In many instances the auditors' report on the annual return also did not contain the required statements and he had to send back these returns for correction.

### The Finance Bill in Committee

CLAUSE 11 of the Finance Bill, which gives the new surtax reliefs, was debated for many hours by the House of Commons on the night of June 7th–8th, during which a number of proposed amendments from both sides of the House were rejected. The clause was finally passed at about 5 a.m. Clause 12 (dependent relatives) was passed without comment, while clause 13 involved very little debate. Clause 14, which empowers the Government to make double taxation treaties which do not frustrate pioneer and other reliefs, was the subject of two Government amendments to correct a drafting fault. The clause proceeds by deeming that foreign tax which, but for the pioneer or other relief, would have been payable, has in fact been payable. It was overlooked that this way of drafting the clause involved the adding back of this notional tax for the purpose of arriving at the gross assessment for British tax purposes. Accordingly the following proviso has been added to sub-clause (1):

'Provided that this section shall not operate so as to increase, under paragraph 7 or 8 of the Sixteenth

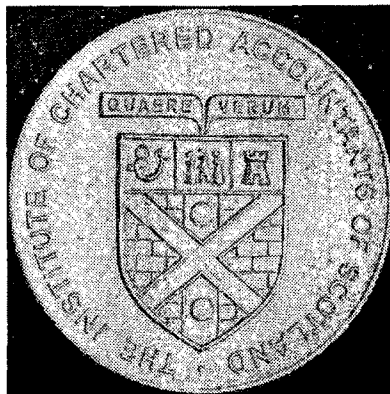
Schedule, any amount of income or of income received in the United Kingdom.'

A new sub-clause (3) provides that in the Sixteenth Schedule paragraphs 7 (2) and 8 (2), (3), shall not apply to relief given under clause 14. Clause 20, which restricts allowances on expensive motor-cars, gave rise to a very protracted debate, but attempts at amendment were resisted.

### Scottish Institute's Gold Medal

OUR photograph shows, in actual size, the face of the new gold medal of The Institute of Chartered Accountants of Scotland which will be awarded on the results of the examinations held last

month. The first medal will be presented to the winner at a prize-giving ceremony to be held in November as part of a special general meeting of the Institute.



Commissioned from the Scottish Craft Centre, the

medal was designed by Mr John Kingsley Cook, Head of the School of Design and Crafts in Edinburgh College of Art. The reverse side carries the inscription 'The Institute's Examination Medal for the Best Candidate of the Year' and in the centre there will be engraved the name of the winner and year of award.

The medal has been donated by a member of the Institute, Mr Albert J. Watson, C.A., of Hillsborough, California. Mr Watson, who is now retired, was admitted a member of the Institute in Glasgow in 1908, having passed with distinction the examination of the then General Examining Board of the Chartered Accountants of Scotland. In 1947 he endowed the Albert J. Watson prize which is awarded in two parts to the first two candidates at the spring diet of Part IV of the Institute's examination.

The regulations drawn up by the Council of the Institute governing the award of the new gold medal are that the medal shall be awarded each year to the candidate at the spring diet of Part V of the Institute's examination whose performance over Parts IV and V is judged to be the most meritorious.

### Error or Mistake Relief: Anomaly Removed

IN the ordinary way, income tax paid in error cannot be recovered. Section 66 of the Income Tax Act, 1952, provides for what is known as 'error or mistake relief' in favour of the taxpayer where a Schedule D or E assessment was excessive 'by reason of some error or mistake in the return or statement made by him for the purposes of the assessment'. Normally the

making of the assessment will follow the making of the return. However, it is commonplace for this order to be reversed, the assessment being then reduced on appeal in accordance with the return. As reported in our issue of February 25th, the Special Commissioners on an appeal under Section 66, refused relief on the grounds *inter alia* that the erroneous return was made after the making of the assessment, and therefore was not made 'for the purposes of the assessment'.

The Country Landowners Association took up the matter with the Chancellor of the Exchequer. As a result the Financial Secretary to the Treasury has

now announced that this part of the decision of the Special Commissioners did not accord with the practice of the Board of Inland Revenue who were now advised that where a return or accounts had been accepted for the purpose of arriving at the final assessment on which the tax had been charged, the fact that the first assessment was made in advance of the rendering of the return did not of itself rule out a claim under Section 66 which would otherwise be admissible. The Board would make its view clear to the appellate Commissioners if the point was raised on an appeal before them.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 81

THERE is much careless talk nowadays about the benefits accruing from modern science and the ways of lightening our professional burdens by having recourse to the wonders of electronics and such-like. Such comments are like baited traps. I nearly ran into severe trouble by using scientific procedures last week.

The opening shot was fired some months ago when our chairman asked for an analysis of the hefty charge for maintenance and repairs in the year's accounts, and I couldn't satisfy him. We have a complex account including the pay of our big gang of carpenters, plumbers, masons, painters and the like, ably led by two engineers; there are also costs of timber, bricks and assorted materials, and invoices for jobs done by outside contractors. We had totals of all these, but few job costs. I planned a new system.

Accordingly, for the last two quarters we coded every charge on a system of individual job numbers, with the co-operation of the engineers who were most helpful in analysing wages and materials issued. The punched-card sorting system proved an invaluable ally. With its help we ran off some tabulations almost impossible by manual means and produced schedules never attempted previously. I felt a glow of pride studying them; talk about accounting for top management - this was it.

Every construction job was neatly analysed, with wages and salaries appropriately allocated; oh, those wonderful punched cards! The new balcony worked out at less than estimated; the showroom enlargement dead on; the factory cloak-rooms were outrunning their budget badly (someone won't like that revealed); repairs to the chairman's horse-boxes (didn't even know about that one), and then suddenly . . . new swimming pool in deputy-chairman's residence? Hey, what was this? Wages, salary allocation, materials . . .

a tidy total sum! True, he had mentioned something about repairs once, but this was a startler. My cost man, an impetuous fellow, had circulated the statement without giving me an advance look; had he charged the expense out or written it off? That was the vital question.

Just then the door opened to admit the deputy-chairman himself in aggressive mood. 'What's all this dam nonsense?' was his opening. 'My little job cost nothing like this, these figures are ridiculous,' My promise of an immediate investigation, of production of original documents, didn't pacify him; he was out for blood. Actually, he was goading me also. 'Typical of our accounts figures, always inaccurate,' he blustered, and I had to deny this firmly and courteously. The atmosphere was suddenly heated, despite my tact; he was deliberately picking a row and I didn't like his overbearing style. Our exchanges became sharper; I was on the brink of real trouble.

At that moment Prinny strolled in, a copy of the cost schedule in hand, the absence of his own name from it probably responsible for his chuckling. 'What do I think of it?' he echoed the deputy-c. 'Think or thwim, old chap.' He savoured the pun loudly and cheerfully. 'Thummer thwimming thometimes . . . you don't thay tho.' He prodded the incensed deputy in the midriff and repeated his 'think or thwim' happily, lest it be missed by meaner intelligences, and really his outraged colleague almost choked with frustration.

However, Prinny held the floor firmly with some silly query about our allocation of overheads to the jobs, and finally the deputy, still seething visibly, went off ill-humouredly. As Prinny moved to follow him, I suddenly realized how timely his intervention had been; I had almost told a senior director what to do with our tabulation if he didn't like it; I'd have been walking the plank by this time. I said rather lamely: 'Err . . . thanks very much.'

Prinny turned with a fat Falstaffian leer; 'When outgunned, take evasive action', he remarked obscurely, and departed. It was suddenly apparent that our personnel director was a man of many and varied parts, and the finest mechanical equipment can suffer from mishandling by the human element.

# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Accountants' Fees

SIR, — As a further suggestion to Mr S. John Pears ('Helping Small Practitioners', your issue dated October 29th, 1960), I would ask for the regular publication by the Institute of indices relating to the main categories of professional staff, with appropriate weighting for London and large provincial centres. It would also be helpful to have indices of general professional overheads.

My experience leads me to the conclusion that the greatest difficulty regarding fees is concerned with the long-established client who is reluctant to accept a higher charge for services which have not changed very greatly over the years. These are the regular duties of audit etc. 'not requiring a special degree of skill or knowledge'.

In the past few years the greatest element of increased cost has been that of comparatively junior staff, typists (including agency fees!) and general office employees. We are without any official documentation endorsing our statements that the rates of increase are substantially greater than those shown by official indices of costs of living.

I note that a revised scale for approved auditors will be officially introduced with effect from July 1st, 1961. Accepting the reasons given why our own Institute finds itself unable to introduce a scale, surely some better means can be found to assist us than obtains at present. We are left to make reference to published Government scales of daily charges which are a long time out of date; the *Accountant's Diary* indicates that these would be 'insufficient for the general work of a professional office' and, from my own experience, I gather that this qualification does not receive official support from the Institute.

It may be argued that indices of wage rates may provide a rod for our own backs. But, surely, we all wish our staff to have adequate and reasonable remuneration in comparison with that obtainable elsewhere, even if we cannot provide the fringe benefits which enable the large companies to attract so many of our members as soon as they obtain their qualifications. To do this, quite apart from the need to enable the practitioner to devote time to study and even cultural advancement, the general level of fees has to be improved and the public convinced that they remain fair.

Yours faithfully,

London, WCI. F. H. G. TOMPKINS, F.C.A.

## Advertising and Taxation

SIR, — I cannot follow Mr Widdup's proposition (May 27th issue) because he does not produce any facts in support when he states that the 10 per cent TV tax will prove detrimental to the raising of the standard of living in this country. Detrimental to whom? To the ad. agencies and their ilk? Undoubtedly, Yes! because they've never had it so good. To the consumer? No! Perhaps the tax will induce manufacturers who advertise on TV to reduce their advertising expenditure and pass on a price reduction to consumers. After all, unbranded goods (not advertised) are always cheaper than branded (advertised) goods. The consumer knows full well that many branded goods can be bought at a cheaper price when labelled and sold under his local retailer's name: and the product is exactly the same in quality (*vide* a recent article in *The Financial Times*).

Neither can I follow his other axiom that this tax will 'hamper marketing'. It is well known that the overproduction of consumer goods in 1960 was directly attributable to the market research departments of ad. agencies, with their pseudo-scientific reports of over-optimism, misleading manufacturers. The reliance of manufacturers on ad. agencies has led to the present defensive attitude of British management which, in turn, has caused us to lag in the world's export markets (*vide* the Board of Trade figures).

Let us have a general tax on advertising payable out of net profits as suggested by Mr Burnham. Then perhaps, as a beginning, the relatively large numbers of mathematicians employed in market research might be induced to go and teach mathematics at O and A levels in the grammar schools, but, of course, at a greatly reduced salary.

Yours faithfully,

D. R. RICHARDS.

London, NI.

## The Problem of Blind Accountants

SIR, — I wonder whether a little of your space can be devoted to a subject which is of interest to only (fortunately) a very tiny minority of your readers, namely, those members of the profession who have lost their sight?

This misfortune has befallen myself and two or three others that I know, in middle life, and we find the problem of obtaining suitable and worth-while employment insoluble. It seems that when reading vision is lost, one is reduced to occupations involving mere mechanical dexterity; for instance, typing, telephone-switchboard operating, repetitive factory-bench work and the like.

This manual dexterity cannot easily or fully be attained after half a lifetime spent in an intellectual occupation such as ours. Furthermore, these occupations are at the level of a girl or boy leaving school, and it need hardly be said that the financial rewards therein are at about the same level; not to mention being almost entirely located in London (or at any rate,

in the big cities), whereby travelling expenses and/or high housing prices and cost of living in general for the married man make these rewards rather exiguous.

To a professional man the loss of reading vision is a severe deprivation, impossible fully to appreciate until experienced; it could, however, be faced the more philosophically if one could only find some occupation wherein one's mind and experience could be utilized to bring in more than the poor few pounds a week which appear to be one's only hope; the net returns that have

been indicated to me are about the present-day equivalent of what I was earning four or five years after leaving school and well before I could contemplate marriage.

This seems a deplorable prospect, and we should be interested to know whether any of your readers are aware of any cases in which members of the profession in this predicament have been able to engage their talents and experience in financially worth-while occupations.

Yours faithfully,  
JACK.

## Electronics in the Office

### Latest D.P.S. Ordered for Boots Pure Drug Co

**B**OOT'S PURE DRUG CO LTD have placed an order for a De La Rue Bull 300 D.P. Series data processing system, to be installed in November this year.

The installation will be the first of its kind in this country and is of a capital value of over £40,000. In the initial stages the system will produce chemical manufacturing cost information for management.

The 300 D.P. Series is designed expressly to undertake a steadily increasing volume of work. The variety of machine units available makes the series ideally suited to a wide variety of commercial applications, whether designed for punched cards or magnetic tape.

### New Computer Film

**'COMPUTER ACHIEVEMENTS'**, a new twenty-two-minute film in colour and sound, features the many varied uses for which EMIDEC computers are being supplied to leading industrial organizations and the Army. Applications dealt with include those of the British Motor Corporation for payroll and sales accounting, British European Airways for inter-airline transfers and revenue accounting, and the Royal Army Ordnance Corps for motor transport spares accounting.

The film is available free on loan from E.M.I. Electronics Ltd, Hayes, Middlesex.

### Computer Characteristics Chart

**A** CONVENIENT form of computer characteristics chart has been prepared by an American firm of consultants, which usefully catalogues the salient features of forty-three general-purpose, stored programme, electronic digital computers available in the U.S.A. They are listed in order of decreasing rental, to bring systems of comparable size into proximity with one another. Information on each is presented laterally in columnar form, under the following headings: general characteristics, internal speed, magnetic tape, peripheral equipment (input and output), and special features.

General characteristics given are average monthly rental, transistor or valve type, storage capacity and type, word size and addressing system. Internal speed covers both add time and average access time. Magnetic tape data shows speed (in thousands of characters per second), number of input/output channels, buffering facilities permitting simultaneous read, write and compute operations, and the maximum number of tape units. Peripheral equipment specifies whether punched cards and/or paper tape can be used, and shows the

operating speeds in cards per minute, or characters per second, and print-out speeds in lines per minute. The special features mentioned include index registers, indirect addressing, floating point arithmetic, console typewriter, random access file and random inquiry. Other special features are dealt with in brief notes alongside the name of the computer.

Free copies of the chart are available directly from Charles W. Adams Inc, 142 The Great Road, Bedford, Mass., U.S.A.

### Second I.D.P. Conference

**T**HE one-day conference on 'Integrated data processing' reported in our issue of February 25th was so well supported that the organizers - the British Productivity Council in co-operation with the British Conference on Automation and Computation, the British Institute of Management and The Institute of Cost and Works Accountants, arranged a second conference on May 24th at Church House, Westminster.

The conference was under the chairmanship of Sir Walter Puckey, and papers were presented by Mr K. F. Turner, of Rolls-Royce Ltd, Mr W. F. Brackman of Gillette Industries Ltd, Mr Dennis S. Greensmith, of Boots Pure Drug Co Ltd, Mr Brian A. Maynard, M.A., F.C.A., who led the O.E.E.C. mission to the United States, and Mr John A. Goldsmith, M.A., A.C.A., A.C.W.A., editor of the mission's report who forecast that the next ten years will be the 'decade of integrated data processing' in Britain and the United States.

### New E.M.I. Computer Publication

**L**AATEST publication to join E.M.I. Electronics Ltd range of computer literature is *Emidec Computer News*. Designed to meet the demand for information about modern data processing systems, it describes the work of the computer division of E.M.I. Electronics and records the latest developments in computing techniques.

Main feature of the first issue is the full story of the EMIDEC 1100 which started working for Boots Pure Drug Co last September. Illustrated with photographs and a flow diagram, the Boots story is supplemented by a technical article on 'on-line' and 'off-line' working. Other features include an introduction to the Emidec Programming Team and the story of the co-operation between E.M.I. and the British Motor Corporation.

Copies of the publication are obtainable from the Computer Division, E.M.I. Electronics Ltd, Hayes, Middlesex.



# Finance and Commerce

## Thomas Tilling

THIS week's reprint of the 1960 accounts of Thomas Tilling Ltd is worthy of the close attention of those concerned with the presentation of the accounts of companies in which new acquisitions tend to distort the year's profit position. On occasion in the past we have drawn attention to the successful treatment of this factor in company accounts but more often than not to accounts and accompanying reports which have been content merely to point to the different make up of the organization one year with another and to say, in effect, 'the results of the two years cannot, therefore, truly be compared.'

The Thomas Tilling directors under the chairmanship of Mr W. Lionel Fraser, a merchant banker of eminence in the City, and including Mr Graham G. Thompson, B.A., F.C.A., as deputy managing director, take a different view. The facts are plainly shown.

The method is clear from the inclusion in the reprint of the profit analysis and, in particular, Table II where the increase in both profits and turnover is apportioned to 'Improved trading and expansion of existing business' and 'New interests'. Table I shows the industrial classification of group earnings in amount and as a percentage of the whole.

## Holding Company

Possibly it can be acknowledged that this dissection of earnings can be more readily presented by an industrial holding organization such as Thomas Tilling than by a manufacturing company. That, at least,

### THOMAS TILLING LIMITED AND SUBSIDIARIES

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1960

#### NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

	1959	Proportion attributable to Thomas Tilling Limited	Group Total	1959	Proportion attributable to Thomas Tilling Limited	Group Total
<b>Profit before Tax</b>	£ 24,870	£ 2,572,796	£ 3,706,258	£ 29,275	£ 2,572,796	£ 3,706,258
<b>Deduct:</b>						
TAX ON THE PROFIT OF THE YEAR	303,073	1,235,365	1,793,791	303,073	1,235,365	1,793,791
<b>Profit after Tax</b>	708,651	1,337,431	£1,912,467	597,772	1,337,431	£1,912,467
<b>Deduct:</b>						
Appropriations—						
DIVIDENDS, less INCOME TAX (Thomas Tilling Limited)	809,879			1,231,550		
Preference Dividends						
On 5½% Shares of £5 each		10,106	10,106			10,106
On 5½% Shares of £1 each		83,461	71,482			71,482
On 6½% Shares of £1 each		3,924	—			—
Ordinary Dividends	12,479	97,491	—	12,479	97,491	—
Interim of 8½%	29,090	—	—	29,090	—	—
Proposed Final of 11½%						
<b>OTHER APPROPRIATIONS</b>	46,512	760,475	242,641 (6.6%)	46,512	760,475	242,641 (6.6%)
(By Subsidiaries)			326,310 (8.9%)			326,310 (8.9%)
Reserve for Unfunded Pensions			—			—
Cornhill Insurance Company Limited			26,188			26,188
Tax Equalisation Reserve			—			—
Tax Reserves appropriated on acquisitions in Subsidiaries made during the year			70,586			70,586
<b>Unappropriated Profit transferred to Revenue Reserve</b>	1,458,791	1,184,114	326,148	1,821,562	1,184,114	326,148
	335,000	753,313	—	285,000	753,313	—
	£1,793,791	£584,118	£412,638	£2,106,562	£584,118	£412,638

(i) Income Tax has been provided on all Profits Earned up to 31st December, 1960.  
C. Profit after Tax—£886,782 (1959 £619,958) has been dealt with in the Accounts of Thomas Tilling Limited.  
D. Ordinary Dividends—the 1959 rates have been adjusted to allow for the capitalisation issue in May, 1960, so as to be comparable with the 1960 rates.

The Mercedes-Benz company was one of last year's additions to the Thomas Tilling group. For some years Tillings have owned V. W. Motors Ltd, concessionaires of the Volkswagen company whose new cars are expected on the British market next year.

**CONSOLIDATED BALANCE SHEET 31st DECEMBER 1960**

	1959		1959		1959	
	£	£	£	£	£	£
<b>Capital of Thomas Tilling Limited (see Note 1)</b>						
ISSUED PREFERENCE CAPITAL	5,274,642		2,600,000			
ISSUED ORDINARY CAPITAL	6,207,956		5,464,114			
		11,482,598		8,064,114		
<b>Capital Reserves</b>						
SHARE PREMIUMS (see Note 2)	747,960		621,626			
OTHER CAPITAL RESERVE (see Note 3)	1,153,464		932,776			
		1,901,424		1,554,402		
		4,422,390		4,000,577		
<b>Revenue Reserve (see Note 4)</b>		17,806,412		13,619,093		
<b>Tax Reserves (see Note 5)</b>						
FUTURE INCOME TAX	1,206,402		844,714			
TAX EQUALISATION RESERVE	221,104		1,60,484			
		1,427,506		1,005,198		
<b>Interests of Minority Shareholders in Subsidiaries (see Note 6)</b>						
		5,795,947		5,446,489		
		25,029,865		20,070,780		
		238,213		251,667		
<b>Loans on Mortgage (see Note 8D)</b>						
<b>Current Liabilities and Provisions</b>						
CREDITORS AND ACCRUED EXPENSES	8,214,552		5,220,259			
AMOUNTS DUE TO BANKERS	4,226,483		2,419,836			
CURRENT TAX	1,618,635		1,165,473			
PROVISION FOR PAST SERVICE PENSIONS	237,609		210,510			
DIVIDENDS, less INCOME TAX:						
MEMBERS OF THOMAS TILLING LIMITED	488,696		370,104			
MINORITY SHAREHOLDERS IN SUBSIDIARIES	203,603		184,550			
		14,989,578		9,570,732		
		£40,257,656		£29,893,179		
<b>Fixed Assets</b>						
At cost, less Depreciation (see Note 7 (b))						
FREEHOLD PROPERTIES						
LEASEHOLD PROPERTIES						
PLANT, VEHICLES, FURNITURE AND FITTINGS						
LICENCES, TRADE MARKS AND PATENTS						
		5,209,847		5,209,847		
		487,775		487,775		
		6,904,935		6,904,935		
		76,208		76,208		
		12,678,765		12,678,765		
<b>Cornhill Insurance Company Limited</b>						
NET ASSETS (see Note 8)		3,372,934		3,372,934		
<b>Goodwill arising on acquisition of shares in Subsidiaries, less amounts written off</b>		2,020,487		2,020,487		
<b>Associated Companies</b>						
SHARES at Cost		394,821		394,821		
		18,467,007		18,467,007		
<b>Current Assets</b>						
STOCKS AND WORK IN PROGRESS		10,870,447		10,870,447		
DEBTORS AND PAYMENTS IN ADVANCE (see Note 9)		10,221,883		10,221,883		
(see Note 10)		698,319		698,319		
BALANCES WITH BANKERS AND CASH IN HAND		21,790,649		21,790,649		
		£40,257,656		£40,257,656		

NOTES—See pages 26 to 29. [Page 761.]

THOMAS TILLING LIMITED AND SUBSIDIARIES  
NOTES TO THE BALANCE SHEETS 31st DECEMBER 1960

## 1. Capital of Thomas Tilling Limited

(A) AUTHORISED CAPITAL  
Cumulative Preference Shares of £5 each—at 31st December, 1959  
Cumulative Preference Shares of £1 each—at 31st December, 1959  
—increase on 12th May, 1960

	£	1959 £
2,700,000	300,000	300,000
2,300,000		
	5,000,000	2,700,000
	5,300,000	3,000,000
	7,200,000	7,200,000
	£12,500,000	£10,200,000

Ordinary Shares of 4s. each—at 31st December, 1959

At 31st December, 1960

## (B) ISSUED PREFERENCE CAPITAL

5½% Cumulative Preference Shares of £5 each—  
at 31st December, 1959  
5½% Cumulative Preference Shares of £1 each—  
at 31st December, 1959  
—issued in March, 1960

2,300,000	300,000
219,999	
2,519,999	
2,480,001	

6½% Cumulative Preference Shares of £1 each—  
issued in December, 1960

	5,000,000	2,300,000
	5,300,000	2,600,000
	25,358	—
	£5,274,642	£2,600,000

Deduct: Calls in arrear wholly paid in January, 1961,  
in respect of 6½% Cumulative Preference Shares  
of £1 each

At 31st December, 1960

## (C) ISSUED ORDINARY CAPITAL

Ordinary Stock Units of 4s. each—at 31st December,  
1959  
—issue by capitalization from Share Premium Account  
on 12th May, 1960  
—issues in 1960 made upon acquisition of shares in  
Subsidiaries

	Number of 4s. Units	£
27,320,568	5,464,114	
2,732,057	546,411	
987,157	197,431	
31,039,782	£6,207,956	£5,464,114

At 31st December, 1960

## (D) UNISSUED CAPITAL

Preference Shares  
Ordinary Shares of 4s. each  
At 31st December, 1960

	400,000	
	1,735,886	
	992,044	
	£992,044	£2,135,886

## 2. Share Premiums—Thomas Tilling Limited

At 31st December, 1959  
Add: Premiums on issues of Ordinary Capital

Deduct: Amount capitalised on 12th May, 1960  
Share issue expenses

	£
621,626	
818,763	
1,440,389	
546,411	
146,018	
692,429	
£747,960	

At 31st December, 1960

## 3. Other Capital Reserve

At 31st December, 1959  
Add: Net Surplus over cost on realisation of fixed assets  
Transfers from Revenue Reserve—Profits capitalised by  
Subsidiaries

—	£
£814,672	£1,153,464

At 31st December, 1960

## 4. Revenue Reserve

At 31st December, 1959:—  
GENERAL RESERVE  
UNAPPROPRIATED PROFITS

Add: Unappropriated 1960 Profit transferred from Profit and  
Loss Account  
Taxation and other adjustments in respect of previous years

1,675,172	£
245,032	2,760,264
1,920,204	1,240,313
	4,000,577

Deduct: Transfer to Provision for Past Service Pensions  
Transfer to Other Capital Reserve

—	£
—	44,098
—	20,564
—	64,662
£1,952,150	£4,472,390

At 31st December, 1960

5. Tax Reserves on the Consolidated Balance Sheet represent the proportion of the estimated  
amounts for the Group attributable to Thomas Tilling Limited. Income Tax has been provided  
on all profits earned up to 31st December, 1960.

6. Interests of Minority Shareholders in Subsidiaries include £535,950 (1959 £742,850) of  
Preference Capital.

## 7. Fixed Assets

At Cost, less Depreciation:—  
(a) Thomas Tilling Limited—

	£	1959 £
Freehold Properties	At Cost	Depreciation
Leasehold Properties	607,036	65,821
Vehicles, Furniture and	29,083	4,898
Fittings	26,729	14,913
	£662,848	£85,632
	£577,216	£84,528
	£676,320	£591,792

(b) Thomas Tilling Limited and Subsidiaries—

	£	1959 £
Freehold Properties	At Cost	Depreciation
Leasehold Properties	6,046,845	836,998
Plant, Vehicles, Furni-	714,983	227,208
ture and Fittings	13,314,964	6,410,029
Licences, Trade Marks	105,405	29,197
and Patents	76,208	94,596
	£12,678,765	£15,244,087
	£5,836,299	£9,407,788
	£20,182,197	£20,182,197

continued.

### B. Cornhill Insurance Company Limited

	£	1959	£
<b>Net Assets at 31st December 1960</b>			
Investments (at or under cost, less Reserve)	1,418,842	1,229,803	
British Government and British Government Guaranteed Securities	3,076,894	2,561,789	
Ordinary Stocks and Shares (some not fully paid up)	2,155,627	2,081,405	
Other Investments (see Note D)	1,175,415	1,144,252	
Properties	220,122	220,122	
Deposit with Trustees	8,046,900	7,237,661	
<b>Current Assets</b>			
Debtors	2,538,648	2,195,345	
Cash and Bank Balances	821,916	703,909	
	3,360,564	2,899,254	
	11,407,464	10,136,915	
<b>Deduct:</b>			
<b>Current Liabilities</b>			
(Including Sundry Provisions and Reserves)			
Fire, Accident and Miscellaneous Outstanding Claims	2,605,747	2,217,741	
Creditors and Sundry Provisions and Reserves	1,098,268	936,463	
Tax (on Profits to date)	363,732	407,822	
Provision and Reserve for Unfunded Pensions	304,448	262,708	
	4,372,195	3,844,734	
	7,035,269	6,292,181	
	3,662,335	3,359,259	
	£3,372,934	£2,932,922	
<b>Deduct:</b>			
<b>Insurance Funds</b>			

### THOMAS TILLING LIMITED ORDINARY STOCK OWNERSHIP ANALYSIS AT 31st DECEMBER 1960

STOCKHOLDER	STOCKHOLDINGS		AMOUNT OF STOCK HELD	
	Number	%	Total	Average
Individuals:			£	£
£1-£100	4,839	36.05	230,411	3.71
£101-£500	5,923	44.12	1,362,510	21.95
£501-£5,000	1,649	12.28	1,688,222	27.19
Over £5,000	42	3.1	566,587	9.13
Sub-Total	12,453	92.76	3,847,730	61.98
Banks, Trustee and Nominee Companies	581	4.33	1,024,166	16.50
Insurance Companies	75	.56	619,187	9.97
Investment Trusts	58	.43	136,974	2.21
Pension Funds	23	.17	119,535	1.93
Other Corporate Holdings	235	1.75	460,364	7.41
Sub-Total	972	7.24	2,360,226	38.02
<b>GRAND TOTAL</b>	13,425	100.00%	£6,207,956	100.00%
at 31st December, 1960			£462	
<b>GRAND TOTAL</b>	11,003		£5,464,114	£496
at 31st December, 1959				

NOTES: (1) Ordinary Stock is transferable in multiples of four shillings.  
 (2) No fees are payable for registration of the Company's Stock and Shares.  
 (3) At 31st December, 1960, there were 5,414 Preference Shareholdings (1959 2,900 holdings). 2,511 of the increase has arisen from the issue

**Notes**  
**A.** The aggregate market value of the Stock Exchange Securities at 31st December, 1960, was in excess of the value included above.

**B.** Certain of the assets are deposited abroad as security for policies there issued.

**C.** Foreign currency assets and liabilities have been converted at the rates of exchange ruling at the end of the year except that investments have been included at, or under, the sterling cost at the date of acquisition.

**D.** Other Investments of £2,155,627 include a loan on Mortgage of £173,333 (1959 £186,667) to a fellow subsidiary, which amount is included in Loans on Mortgage of £238,213 on the Consolidated Balance Sheet.

**9. Stocks and Work in Progress** on the Consolidated Balance Sheet have been valued on bases and by methods of computation which are considered appropriate to each of the particular businesses and which have been applied consistently.

**10. Debtors and Payments in Advance** include a debt of £244,000 (1959 £269,000) receivable over the next 7 years.

**11. Overseas Assets and Liabilities of Subsidiaries** (other than those of Cornhill Insurance Company Limited) have been converted into sterling at the rates of exchange ruling on 31st December, 1960.

**12. Contracts in Respect of Capital Expenditure** by Thomas Tilling Limited are estimated at £647,000 (1959 £476,000) and by Thomas Tilling Limited and Subsidiaries at £1,922,000 (1959 £1,427,000).

### THOMAS TILLING LIMITED AND SUBSIDIARIES PROFIT ANALYSIS

**TABLE I—Annual Rate of Profit before Tax attributable to Thomas Tilling Limited for 1960, under Industrial Classifications**

Industrial Classifications	Thousands of £'s	Percentages
Building Supplies and Services.....	781	23.5
Electrical Wholesaling.....	220	6.6
Engineering and Allied Trades.....	245	7.4
Glassware.....	653	19.7
Hosiery, Knitwear and Textiles.....	147	4.4
Insurance.....	309	9.3
Vehicle Distribution.....	758	22.8
Publishing, Road Transport and Other Interests.....	207	6.3
<b>TOTAL</b> .....	3,320	100.0

NOTE: Deducting profits earned prior to acquisition (included in the above figures), the total becomes £3,103,554 as shown by the Profit and Loss Account on page 20. [Page 759.]

**TABLE II—Analysis of Increases in Profit and Turnover**

	1960	1959	Total Increase	Portion of Increase arising from: Improved Trading and Expansion of Existing Businesses
Thousands of £'s				
Profit before Tax attributable to Thomas Tilling Limited	3,104	2,573	531	357
Group Turnover	55,369	42,319	13,050	9,709
				3,341

NOTES: Figures relating to periods prior to acquisition have been excluded from this Table.  
 Group Turnover includes the Premium Income of Cornhill Insurance Company Limited.

**Family of Firms**

Having described Thomas Tilling as an industrial holding company, it is as well to make the point that Mr Lionel Fraser does not like that description. He prefers to call the Tilling organization 'A family of firms'.

The family now numbers twenty-eight main companies which in turn have numerous subsidiaries of their own, and which altogether employ some 18,000 people.

Backing good management is the cardinal development policy. 'By and large,' Mr Fraser says in his annual review, 'we place no bar upon the nature of the business, but we are tending more and more to confine admittance to the Group to concerns which will be benefited by the knowledge and experience of our existing companies, or vice versa.'

The industrial classification of Thomas Tilling's profits suggests that although admittance to the group may be 'confined', as Mr Fraser explains, the range of industrial interests is far reaching. Tilling's road transport interests were nationalized soon after the war. The foundations of the present group were laid by the employment of part of the compensation money.

**Field of Research**

THE 'back room boys' are becoming more and more important to industrial companies and money allocated in annual accounts to 'research and development' can cover a multitude of interests. It is not often that chairmen deal with this point, but Sir Thomas Eades, of Automatic Telephone and Electric Co, takes shareholders behind the scenes. He says that such expenditure, for his company, falls into two categories: those undertaking to support 'traditional business' in telephone exchange gear, and those of 'more diversified' interests.

The first is very long-term and, such being the complexity of telephone exchange equipment, 'a decade or more can pass before a new design can be accepted with confidence as a worth-while improvement on what has gone before'.

On the other hand, however, new electrical and electronic devices are 'streaming from research laboratories at an ever-increasing rate' and the problem is to reconcile the two differing time scales.

It is an interesting glimpse into what, for shareholders, is often a 'silent service'. More chairmen might well take a leaf from Sir Thomas's book.

**CITY NOTES**

SO many companies end their financial years on December 31st or March 31st, and such is the development of half-year reporting, that May and June are now two busy months for the announcement of dividends and profit figures and the issue of annual reports.

This year, to a greater degree than in recent years, the current year forecasts made by chairmen in statements with reports and accounts for the year to December 31st are being confirmed by the figures shown by companies running their years to March 31st and by the half-year figures from companies which began their financial years last October.

The current year forecasts are, in the main, bearish; figures for years to March 31st show a narrowing of profit margins towards the end of the financial period and a further narrowing since, and the half-year figures in many cases show a definite decline.

Having lived with apparently automatic equity growth for so long, the stock-market finds it difficult to believe that growth might be even temporarily stunted. Jobbers, marking down prices on the basis of what they consider to be bear factors, usually find buyers at the lower price levels.

Also preventing any decided run back in prices is the assumption that the new Trustee Act will bring a fresh buying force to the equity market later in the year. Uncertainty versus the weight of money is the main bout on the market 'bill' and there are still some rounds to go.

**RATES AND PRICES**

*Closing prices, Wednesday, June 14th, 1961*

**Tax Reserve Certificates:** interest rate (26.11.60) 3%

**Bank Rate**

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

**Treasury Bills**

April 7	£4 8s 8·68d%	May 12	£4 6s 5·04d%
April 14	£4 9s 7·69d%	May 19	£4 8s 3·18d%
April 21	£4 9s 9·01d%	May 26	£4 8s 8·74d%
April 28	£4 8s 1·71d%	June 2	£4 8s 9·61d%
May 5	£4 7s 4·27d%	June 9	£4 9s 4·14d%

**Money Rates**

Day to day	3½-4½%	<b>Bank Bills</b>	
7 days	4½-4½%	2 months	4½-4½%
<b>Fine Trade Bills</b>		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

**Foreign Exchanges**

New York	2·79½-½	Frankfurt	11·08½-½
Montreal	2·77½-½	Milan	1732½-½
Amsterdam	10·03½-½	Oslo	19·99½-½
Brussels	139·55½-½	Paris	13·68½-½
Copenhagen	19·32½-½	Zürich	12·07½-½

**Gilt-edged (revised List)**

Consols 4%	62½	Funding 3% 59-69	81½
Consols 2½%	40½	Savings 3% 60-70	78½
Conv'n 5½% 1974	92½	Savings 3% 65-75	71½
Conversion 5% 1971	92½	Savings 2½% 64-67	84½
Conversion 3½% 1969	84½	Treasury 5½% 2008-12	90½
Conversion 3½%	55½	Treasury 5% 86-89	85½
Exchequer 5½% 1966	99½	Treasury 3½% 77-80	70½
Funding 5½% 82-84	93½xd	Treasury 3½% 79-81	70½
Funding 4% 60-90	87½	Treasury 2½%	40½
Funding 3½% 99-04	60½	Victory 4%	97½
Funding 3% 66-68	82½	War Loan 3½%	55



# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

## SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, June 7th, 1961, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr S. J. Pears, President, in the Chair; Mr P. F. Granger, Vice-President; Messrs J. Ainsworth, C.B.E., J. F. Allan, C. Percy Barrowcliff, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, Sir William Carrington, Messrs D. A. Clarke, J. Clayton, C. Croxton-Smith, E. Hay Davison, W. G. Densem, S. Dixon, W. W. Fea, Sir Harold Gillett, Bt., M.C., Messrs J. Godfrey, G. G. G. Gault, L. C. Hawkins, J. S. Heaton, D. V. House, J. A. Jackson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., F. E. Price, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, K. G. Shuttleworth, D. Steele, C. M. Strachan, O.B.E., J. E. Talbot, A. H. Walton, F. Walton, F. J. Weeks, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., E. K. Wright.

### ELECTION OF THE PRESIDENT

**The President:** Gentlemen, the first item on the agenda of the ordinary meeting is to elect a President and Vice-President for the ensuing year. I call upon Sir Thomas Robson.

**Sir Thomas Robson:** Mr President, the feeling exists that the speeches of those who propose elections at these June meetings at the Council have tended to become rather too long. I propose, therefore, to be brief, but I would like to make it clear that this is not because of any lack of sympathy with my subject or of regard for the individual whom I am about to nominate. The name that I put forward is that of your Vice-President, Mr Paul Francis Granger, and I have pleasure in proposing that he be elected to succeed you as President. (*Hear, hear.*)

Mr Granger comes before us as one who has proved himself in all kinds of committees since he became a member of the Council in 1950, and now he has passed successfully the further tests imposed by his election as Vice-President for the year just closing. No words of approbation from me could add to the esteem in which he is held by all of us, not least for his qualities of friendship and ready sympathy. I will, therefore, not take up your time by dilating upon his merits which are as well known to the Council as to me. I may, nevertheless, say how special a pleasure it is to see a former member of my own firm's staff rise to the giddy heights to which Mr Granger is about to attain.

His firm and mine have co-operated in professional work and found great pleasure in doing so. They have been on terms of friendship for many years and in more than one generation men who received a material part of their training in one firm have risen to be partners in the other.

Mr Winter has agreed to support me in the submission of the proposal which I have moved and I have pleasure in asking that he be called on to second the resolution which is before you. (*Applause.*)

**Mr R. P. Winter:** Mr President, it is a privilege to be asked to second the resolution which Sir Thomas Robson has moved and I accept with great pleasure.

In Mr Granger we have one who should approach the many problems facing our profession today with clarity of mind and understanding. In particular I would mention the difficulties of the smaller practitioner, which I know is very much at heart. Mr Granger has rendered great service

to our Institute over many years and during the past year he has carried out the duties of Vice-President with dignity and charm. It is fitting therefore that we should elect him to the highest office which the Institute can offer its members. It is with great pleasure and confidence, therefore, that I second the resolution: 'That Mr Paul Francis Granger be elected President of the Institute for the ensuing year.' (*Applause.*)

*The motion was carried by acclamation.*

**Mr Granger** was then invested with the badge of office, took his seat in the Chair and said: It is always difficult to say 'thank you' on an occasion like this, particularly when you are standing behind this badge for the first time. Furthermore, it is even more difficult because, thank heaven, you do not have to make more than one speech on an occasion such as this.

I would like to thank Sir Thomas Robson and Mr Winter for their all too generous remarks and you all for my unanimous election. It represents, obviously, a high-water mark in my professional career and I do not think that there is any prouder moment that can come for a man or his firm. Incidentally, if I may just say so, we have been represented on the Council, with the exception of eight years, since 1907, and during that time we also provided a President, in the shape of the late Mr Thomas Mellors. I will do all I can to serve the interests of all our members in whatsoever field of activity their work has taken them, but I must point out that over the past years membership of the Institute has grown greatly as have the activities of its members. This has thrown a tremendous amount of work on Council members and inevitably as expansion has proceeded there are feelings from time to time amongst the membership that their particular interests are not being properly looked after, or that inadequate time is devoted to them.

I can assure all members that every effort has been, is being and will be made to ensure that what we as a Council can do to help them will be done. But, of necessity, since this is a competitive world and in the end we as individuals must depend upon our own efforts, there are limits to what Council can do.

I conclude by thanking the Past President for his friendship and understanding during the past year; by thanking my partners and our staff for their help; by thanking you all for your kindness over many years, and here I would like to include Alan MacIver and his staff, and I should also like – but I shall do it at home – to thank my wife as well. Thank you. (*Applause.*)

### ELECTION OF VICE-PRESIDENT

**The President:** The next item on the agenda is the election of the Vice-President. I call upon Mr House.

**Mr D. V. House:** Mr President, may I first of all say how nice it is to be able to address you like that and to be the first to congratulate you on your appointment and to wish you and your wife a very happy year in office. (*Hear, hear.*)

The honour and pleasure of breaking the veil of secrecy surrounding the nomination of the Vice-President falls to me this year.

The name which I shall mention in a moment, is that of a member of the Council who is very well known to all of

us, and who has done much valuable work for the Institute, and if I say that except for his height he has a somewhat Pickwickian appearance you may all guess that he is Mr Percy Frederick Carpenter. (*Applause.*)

Mr Carpenter was born in 1901. He was articled to Mr J. B. Reeves in January 1918; he took first place in the Intermediate in November 1920; passed his Finals in November 1922 and was admitted as an associate of the Institute in January 1923. He is now the senior partner in W. B. Keen & Co, where he served his articles.

He was elected to the Council on February 5th, 1947, and the record shows that he has been a member of practically every committee and chairman of the Library Committee, the Examination Committee and the Summer Course Committee.

In August 1951 he was congratulated on the considerable volume of work which he had done as a member of the Planning Committee.

In addition to his work on the Council he has also done much for the profession in other directions. He was elected to the Committee of the Students Society of London in 1921 and was its chairman in 1923-24. He served as the first Chairman of the London and District Society of Chartered Accountants in 1943-44 when the Society was constituted, it having been formerly known as the London Members Committee. It is true to say that he has been continuously a member of some committee or other connected with Institute affairs for forty years.

He has numerous outside interests. He was a founder playing member of the Chartered Accountants Rugby Football Club; he is an Hon. Fellow of the Zoological Society of London, a Fellow of the Royal Statistical Society and a Fellow of the Institute of Arbitrators.

The seconder of this proposal Mr Hamilton Baynes, will refer to his many other activities and I have great pleasure in proposing that Mr Percy Frederick Carpenter be elected Vice-President of the Institute for the coming year. (*Applause.*)

**Mr T. A. Hamilton Baynes:** Mr President, like Mr Winter I regard this as a great pleasure. Mr Carpenter, of course, is a very large man and demands a large canvas, so to speak; but, as you have already heard, the canvas this year has to be reduced, so all I can do is to take a brush and put in a few dabs of colour.

I suppose to us Percy Carpenter is one of the most popular members of the Council. I put it in that way because as chairman of the Examination Committee he is probably the most unpopular member of the Council to about 50 per cent of the would-be members. I think perhaps what endears him to us is, first of all, his modesty – how many people in this room knew that he was first in his Intermediate examination? – his kindness and his good humour which comes out whether he is presenting accounts of the Luncheon Club or leading his team to defeat in the annual contest at darts against the Scouts at Oxford, or even reminding dilatory examiners that they are a fortnight behind schedule.

Mr House has said that I would refer to his other activities, but one cannot do that much with a small canvas. I will mention one of them. It is surprising what chartered accountants do in their private lives – that is to say, when they are not being chartered accountants. I pass lightly over an esoteric pursuit – the gentlemen of the Worshipful Company of Makers of Playing Cards – and will refer to just one activity in which for ten years – and the war years at that – he was a member of the City of London Special Constabulary. I refrain from bursting into song about constabulary duties and the policeman's lot but I am sure he was known as the 'jolly Bobby'.

As you have heard, he was admitted in 1923. When Sir Thomas Robson was president I referred to 1923 as a vintage year, but since then there have been from that year Dicker and Lawson as Presidents, so I think perhaps I may be allowed to continue the metaphor. A vintage 'promises to be really excellent; it will repay keeping for several years'

and I cannot help thinking that this is the way to describe the 1923 vintage. I like to use the dictionary backwards sometimes, and I am sure that we all agree about the good nature of Percy Carpenter, and also we would say that he has the quality of a good fellow in perhaps two senses. Now those words are in fact the definition of the word 'bonhomie', so, Mr President, I have great pleasure in seconding the resolution that Mr Percy 'Bonhomie' Carpenter be Vice-President of the Institute for the ensuing year. (*Applause.*)

*The resolution was carried by acclamation.*

**Mr Percy F. Carpenter:** Mr President and gentlemen, I must first of all thank Donald House and Tom Baynes for their all too kind words in proposing my election as your Vice-President and also thank you gentlemen for the – if I might say – enthusiasm with which you received the proposition.

On occasions such as this I think most of us have a number of conflicting emotions; a feeling of humility; a feeling of pride; a good deal of pleasure and a certain amount of sorrow. Humility when one considers one's own inadequacies for this high office; bearing in mind the very many tasks which lie ahead. A feeling of pride that one has been elected by one's fellows, by one's colleagues, who one has had the pleasure of knowing for many years. The happiness Mr President, in being able to serve with you and I hope in some small measure to further the interests of our great profession; and some sadness in that so many people whom one would have liked to have had here have passed on.

My principal, Mr Reeves, taught me a lot, and one thing he certainly taught me was what I will call 'Institute mindedness.' It is rather interesting if you look in the Library Suggestions Book to find on the first page in 1893 that of the first twelve suggestions made, three were made by Mr J. B. Reeves; in fact, I think two of them were rejected and the third was acceded to. But, from the time I joined my office it was the recognized thing that the office was, in a way, a part of the Institute, and as you heard, fairly soon I was elected to the Students' Society.

My father was a member of the Institute and also my elder brother both of whom died rather young. They would have been very proud to have been able to be here today.

I think most of us were very struck by the words which Sir Harold Howitt used at the time of his retirement when he told us that his biggest commitment for many years had been his Institute duties. I think that applies to many members of the Council and perhaps in a special way to those members of the big firms – I would rather call them the great firms – of chartered accountants, and I think we are all amazed at times at the contribution that they make to the work of the Council and of the Institute generally. It is not only a matter of the time they give, but their wisdom, their breadth of experience, all of which is freely offered to us. That being so it is perhaps not altogether surprising that in certain of our far-flung towns the impression grows up that the Council of the Institute is composed almost exclusively of representatives of the big firms. We, of course, know that that is not the case and I think it is perhaps happy that in electing me, as the senior partner in one of the smaller firms, it will be some indication to our members that the smaller firms are not, in fact, unrepresented here.

I should perhaps add that, of course, if you wanted to select somebody who would be the outward and visible sign of the small practitioner, you have, perhaps, made a rather bad choice. (*Laughter.*) I would like to say, however, that I am sure that all members here, members of the large firms and the small firms, do have at heart the interest of all members of our profession including in particular the small practitioner.

As Mr House said, it is forty years since I first joined a committee in connection with this profession, and for some reason which I cannot quite understand today, I have been serving continuously either on the Students Society or the London Members or this Council, and in those forty years

I have got to know a very large number of members of the profession. I have learned to value the very ready help which we have always had from Mr MacIver and all the staff here and it is with that knowledge that one feels inspired to go forward and to serve a year of office with our new President in the hope that by the end of the year I shall not have been found wanting. Gentlemen, I thank you very much. (*Applause.*)

#### Vote of thanks to retiring President

**Mr J. Clayton:** Mr President, I am charged with the pleasant duty of proposing a vote of thanks to the retiring President, Mr Pears, and if I indicate any degree of non-conformity to the new canon of brevity, it is nothing to do with my own recalcitrance but has a good deal to do with Mr Pears' merits.

First, however, Mr President, may I offer you my warmest congratulations on your election and my very best wishes for your health, happiness and success as President.

John Pears took me to task recently for my unwonted silence in Council of late. The truth is that under his firm guidance Council affairs have been conducted in a manner which disarms the most exacting critic.

Our labours are largely controlled by the cabal of Committee Chairmen, but there is no doubt that the whole of our work has recently borne the imprint of John Pears' incisive personality.

This was also exemplified in his address to the annual general meeting; and his tactful and conciliatory but firm handling of that meeting. And you may recall, Mr President, that I can speak of annual general meetings with a personal experience exceeding that of a mere auditor.

Mr Pears is a man of many parts. In the international sphere, merely to have had as our President an accountant of his world-wide repute – and peripatetic habits – cannot but have added lustre to the already high reputation of our Institute overseas.

But it is – as it should be – at home that his impact has been so decisive. In his pungent addresses to the District Societies he exhibited his broad grasp of the problems of industry and of what we can do to help them solve those problems and how we must equip ourselves for that task. Today's agenda bears eloquent testimony to his ebullient initiative and I am sure that the publication of his correspondence with the Inland Revenue regarding Stock-in-trade and Recommendation 22 will be of immeasurable help to our members, and not least to the sole practitioners and the small firms.

He has made a major contribution to the recent ferment of ideas on the future pattern of activities of the Institute – in the fields of education, public relations, technical activities, staffing, housing and finance. He is clearly a man of ideas who quickly reaches sensible decisions, but his foremost attribute is his ill-concealed impatience to translate ideas into practice. To John Pears, above all, to think is to act. Indeed, it may be said of him that he has transmuted Descartes' famous axiom into *cogito; ergo facio*. Perhaps I can offer him no higher tribute than to say that in him accountancy has deprived industry of an outstanding executive.

Mr President, gentlemen, in this motion I am to be supported by Mr David Steele and it will be our pleasure to invite you to record your appreciation of the exemplary services of the retiring President, Mr Sidney John Pears. (*Applause.*)

**Mr David Steele:** Mr President, I gladly respond to this invitation. I think I should be in a better position if I knew what Descartes' axiom was. (*Laughter.*)

The last occasion at which I spoke on the work of an outgoing President of the Institute was at a dinner party at Harrogate which concluded the year of office of my dear friend Charles Boyce, and I speak now with equal pleasure and sincerity. My mind goes back to Mr Pears' notable contribution to our Harrogate Conference in 1949 when I first had the pleasure of meeting him. Through all the

intervening years I have been conscious of his influence on the Institute's thought and now this has been his culminating year – may I call it his orbital year – which has coincided with my first year as a back-bencher, and I am personally very grateful to him for all his encouragement and help. We offer you, sir, the same remuneration as you have had in previous years; the unstinted admiration and gratitude of those of your professional colleagues who are best able to judge how valuable your contribution has been and of those who have had the opportunity of observing at close quarters how intense and how fruitful has been your concentration on our affairs. We are very grateful and I ask you, gentlemen, to support this motion with acclamation. (*Applause.*)

**Mr S. J. Pears:** Mr President, thank you, Jack Clayton and David Steele for the all too kind remarks you have made about me. I very much appreciate them. Thank you, Mr President, Past Presidents, members of the Council and you, Alan MacIver and your staff for the warm support you all gave me during the past year. I am only conscious of the very great deal I have left undone.

There is a possibility that members of the Institute do not realize the time spent by ordinary members of the Council and the President. During the last three years, not including time spent on travelling outside business hours and attending evening functions, I have spent approximately 1,900 hours on Institute affairs. In the first year as an ordinary member of the Council and chairman of the Parliamentary and Law Committee I spent 435 hours. The second year as Vice-President 565 hours and this year almost 900 hours, including attending over 200 meetings of various kinds and being engaged on Institute affairs at over 100 lunches and dinners. You, Mr President, with your additional task of travelling to London, are faced with a very heavy year indeed, and I wonder whether some consideration should not be given to lightening your burden.

Mr President, I wish you a very happy and successful year. (*Applause.*)

#### Finance Bill

The Council received a report on a discussion at Somerset House on May 24th, 1961, between members of the Board of Inland Revenue and representatives of the Institute (Mr H. A. Benson, C.B.E., F.C.A.; Mr N. B. Hart, O.B.E., T.D., D.L., M.A., LL.B., F.C.A., and Mr J. E. Talbot, F.C.A., with the Deputy Secretary) in connection with a memorandum on the Finance Bill submitted on May 12th, 1961, to the Chancellor of the Exchequer on behalf of the Council.

#### Ethical Aspects of the Use of Companies by Members in Practice

The Council has been asked from time to time whether there is any ethical reason which precludes a member of the Institute from carrying on one or more of the functions of a public accountant through the medium of a company. The Council now makes the following statement on this matter:

'(i) The Council emphasizes the personal responsibility of every member of the Institute for his professional conduct; this applies regardless of the way in which the work of the member is organized and of the medium through which it is performed.

'(ii) A member is not permitted to do under the guise or through the medium of a company or firm anything which he is not allowed to do as an individual.

'(iii) There is no ethical reason which would preclude a member's performance through the medium of an *unlimited* company of which he is a member of any of his functions as a public accountant which a company is permitted by law to perform. (Members are reminded that some functions may not lawfully be so performed, for example acting as auditor, receiver or liquidator of a company.) There is also no ethical reason which would preclude a member from using a *limited* or *unlimited* company of which he is a member to provide him with assistance (such as the provision of staff, accommodation and equipment) which he may require in the performance of any of his functions as a public accountant. In all cases the following provisos apply:



*Parliamentary and Law*

H. A. Benson, Sir William Carrington, J. Clayton, E. Hay Davison, W. G. Densem, S. Dixon, W. W. Fea, W. H. Lawson, R. G. Leach (c), E. N. Macdonald, W. E. Parker, S. J. Pears, Sir Thomas Robson, D. Steele, C. M. Strachan, J. E. Talbot, F. J. Weeks, E. K. Wright.  
(c) Co-opted member.

*Public Relations*

J. Clayton, Sir Harold Gillett, C. U. Peat, E. K. Wright, Sir Richard Yeabsley, and the Chairman of the General Purposes Committee, the Articled Clerks Committee, the District Societies Committee, the Finance Committee and the Consultative Committee of Members in Commerce and Industry Committees.

*P. D. Leake*

The President, W. L. Barrows, P. F. Carpenter, Bertram Nelson, E. F. G. Whinney.

*Summer Course*

T. A. Hamilton Baynes, P. F. Carpenter, W. W. Fea, J. S. Heaton, D. V. House, J. A. Jackson, J. H. Mann, A. H. Walton.

**London and District Society of Chartered Accountants**

The following members were appointed by the Council to serve on the Committee of the London and District Society of Chartered Accountants for the ensuing year:

Mr D. V. House, Mr J. H. Mann, Mr J. D. Russell.

**Taxation and Research Committee**

The following Council appointees on the Taxation and Research Committee were appointed for the year 1961-62:

Mr G. R. Appleyard, Mr L. H. Clark, Mr S. M. Duncan, Mr W. F. Edwards, Mr R. O. A. Keel, Mr J. W. Margetts, Mr G. P. Morgan-Jones, Mr L. Pells, Mr J. Perfect, Mr D. W. Robertson, Mr C. Romer-Lee, Mr J. G. Vaughan.

**The late George O. May, F.C.A.**

The Council received with the greatest regret the news of the sudden death on May 25th, 1961, at Southport, Connecticut, U.S.A., of Mr George Oliver May, F.C.A., and resolved that the warm sympathy of the Council be conveyed to Mr May's son and daughters and their families, and to the American Institute of Certified Public Accountants on the loss which they have sustained.

Mr May had recently attained the age of 86 years and was thus one of the oldest members of the English Institute, of which he was admitted to membership so long ago as 1897. He had played an outstanding part in the development of the profession both in the U.S.A., in which he had lived for many years, and in the wider international field. He was pre-eminent as a leader of thought and in the inspiration which he imparted to others; his impact on his profession and on the business world and its standards of reporting and accounting was immense. His far-seeing appreciation of the needs and opportunities of the accountancy profession and his ability to explain its principles and practices to persons outside its ranks made him an outstanding figure. The English Institute has lost a valued member and the world-wide profession a great leader, but the effects of his work and his inspiration will provide a continuing future benefit for the whole business community.

**The late Mr Geoffrey Bostock, F.C.A.**

The Council received with great regret the report of the death of Mr Geoffrey Bostock, F.C.A., who was one of the Institute's auditors from 1934 to 1958. A message of sympathy and appreciation has been sent by the President to his family and partners.

**Editor of Accountancy**

Mr Walter Taplin, M.A., B.COM., who has for some months been acting as Editor of *Accountancy*, has been appointed full-time Editor with effect from November 1st, 1961.

**Bye-law 62: Approved University Degree Courses**

The Council approved under bye-law 62, for students commencing their degree courses after September 1961, revised courses for the Bachelor of Commerce degree of the University of Leeds the Bachelor of Science in Economics degree of the University of London and the Bachelor of Arts in Economic and Social Studies degree of the University of Manchester.

**Exemption from the Preliminary Examination**

The Council decided that the Executive Class Written Open Competition examination of the Civil Service Commission should be added to the list of examinations recognized under bye-law 78 (b) for the purpose of exemption from the Preliminary examination and that a candidate relying upon that examination should be required to have obtained a pass in one of the optional mathematical subjects available on the syllabus.

**Articled Clerks from Overseas**

The Council decided to issue a statement which it is hoped will encourage members to make use of the Institute's introductory service for members who have vacancies under articles for students from overseas. (The statement appears at page 775, Editor.)

**Registration of Articles**

The Secretary reported the registration of 179 articles of clerkship during the last month, the total number since January 1st, 1961, being 1,041.

**Admissions to Membership**

The following were admitted to membership of the Institute

§Abrahams, Samuel Ellis; A.S.A.A., 1961; with \*Wolpert & Abrahams, 1101 Provident Assurance House, corner Smith and Field Streets, Durban, S. Africa.

§Betty, David Rex; A.S.A.A., 1961; with ††Betty & Dickson, P.O. Box 742, Johannesburg.

§Chalmers, George Alexander; A.S.A.A., 1961; 35 Sixth Avenue, Highlands North, Johannesburg.

§Harris, Robert James; A.S.A.A., 1961; c/o Irish Dunlop Rubber Co Ltd, The Marina, Cork, Eire.

§Newnham, Lewis Cyril Ashby; A.S.A.A., 1961; 605 Sunset Place, 1 Van der Merwe Street, Hillbrow, Johannesburg.

Phillips, Ian; A.C.A., 1961; 31 Southern Avenue, London, SE25.

Reed, Harold Edward Lee; A.C.A., 1961; 16 Palmer Street, Sunderland.

Rendell, Patrick Edward; A.C.A., 1961; 29 Cedars Road, Morden, Surrey.

§Rindel, Colin Scott; A.S.A.A., 1961; 402 La Contessa, corner Cavendish Road and Becker Street, Yeoville, Johannesburg.

§Robbertze, Daniel Jacobus; A.S.A.A., 1961; with \*Wolpert & Abrahams, 1101 Provident Assurance House, corner Smith and Field Streets, Durban, S. Africa.

§ Means 'incorporated accountant member'.

a indicates the year of admission to the Institute.

aS indicates the year of admission to The Society of Incorporated Accountants.

Firms not marked † or \* are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

†† Against the name of a firm indicates that the firm includes an incorporated accountant member of the Institute and is composed wholly of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.



Snape, John William George; A.C.A., 1961; Flat 12, 61 Riding House Street, London, W1.

Swaddle, Alan Pearson; A.C.A., 1961; 29 Westacres Crescent, Newcastle upon Tyne, 5.

Švan der Merwe, David Barend; A.S.A.A., 1961; P.O. Box 46, Windhoek, SW. Africa.

### Fellowship

The Council acceded to applications from nineteen associates to become fellows under clause 6 of the supplemental Royal Charter.

### F.S.A.A.

The Council acceded to an application from an incorporated accountant member A.S.A.A. to use the letters F.S.A.A. under clause 4 (b) of the Scheme of Integration.

### Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Allen, Barry, A.C.A., 1960; \*Alderson, Allen & Co, 1 Cockton Hill Road, Bishop Auckland, Co. Durham.

Anderson, David Peet, A.C.A., 1956; Burrows & White, Mortimer House, 1 Castle Road, Nottingham.

Ashton, Keith, A.C.A., 1956; Dryden, Dorrington & Co, Litton, Pownall, Blakey & Higson, and Astbury, Mitcheson & Miller, 42 Spring Gardens, Manchester, 2.

Austin, Allan, A.C.A., 1958; Frederick T. Slade & Son, King's Court, 115 Colmore Row, Birmingham, 3.

Bainbridge, Robert John, A.C.A., 1960; Maurice Hayward, Parkin & Co, 6 Paradise Street, Sheffield, 1.

Beaton, Arthur, A.C.A., 1955; Merrett, Son & Street, 120 Moorgate, London, EC2.

Bell, Emile John Caesar, F.C.A., 1947; Blackburns, Robson, Coates & Co, 59 New Cavendish Street, London, W1, and at Bradford, Leeds and Manchester.

Bennett, Frank Cecil, F.C.A., 1950; Welsford, Jennings & Co, 9 Union Court, Old Broad Street, London, EC2.

Broadbent, Bevan Winston, A.C.A., 1961; \*E. Broadbent, Fish & Co, 1/4 Clarence Arcade Chambers, Ashton under Lyne.

Chase, Herbert, F.C.A., 1934; Blackburns, Robson, Coates & Co, 59 New Cavendish Street, London, W1, and at Bradford, Leeds and Manchester.

Collins, Geoffrey Edwin, A.C.A., 1951; B. T. Davis & Co, Lombard House, Great Charles Street, Birmingham, 3, and Jethro Kent & Son, 122 Colmore Row, Birmingham, 3.

Conroy, Arnold, A.C.A., 1960; Raymond Harris & Dollar, 5 Staple Inn, Holborn Bars, London, WC1.

Cooper, Roy, A.C.A., 1961; Roy Cooper & Co, 78 Hampton Road, Forest Gate, London, E7.

Cordell, Henry Arthur, A.C.A., 1951; †C. F. Middleton & Co, 73 Basinghall Street, London, EC2.

Cottee, Michael, A.C.A. 1956; 205 High Road, Buckhurst Hill, Essex.

Creasey, Eric Walter, A.C.A., 1953; Thompson & Co, 24 Pinchbeck Road, Spalding, Lincs.

Cross, Donald Michael, F.C.A., 1949; Richard Moss & Co, 9 Wyndham Place, London, W1.

Crowther, Philip Braithwaite, F.C.A., 1934; Kilby, Sutcliffe & Crowther, Bull Green House, Halifax, and at Brighouse.

Cushnir, Alan Maurice, A.C.A., 1961; 4 Amery Road, Harrow, Middlesex.

Daniel, Richard Colin, A.C.A., 1960; Daniel, Hughes & Co, 10 St Andrew's Crescent, Cardiff.

Fairhurst, David John, A.C.A., 1961; John Fairhurst & Tyrer, 15 Bridgeman Terrace, Wigan.

Fisher, William Austin, A.C.A., 1956; F. C. Gardiner & Co, 9A Stonegate, York.

Gibbs, David Edgar, A.C.A., 1953; Henry Malpas & Son, 21 Great George Street, Bristol, 1.

Glass, Duncan Robertson, M.A., F.C.A., 1930; Robertson Glass, Watts & Co, 40-42 George Street, London, W1.

Hamnett, Christopher Brian, A.C.A., 1961; Thomas Forster & Co, Westminster Bank House, 3 York Street, Manchester, 2.

Harlow, David Pinnock, A.C.A., 1955; Litton, Pownall, Blakey & Higson, Dryden, Dorrington & Co, and Astbury, Mitcheson & Miller, 42 Spring Gardens, Manchester, 2.

Harris, Alfred Henry, A.C.A., 1959; 13 The Avenue, Kew Gardens, Richmond, Surrey.

Hart, Graham Cyril, A.C.A., 1961; Reynolds & Lane, 17 Bouverie Square, Folkestone, and at Ashford, Kent.

Hart, John Norman Edward, F.C.A., 1934; \*Collier, Austin & Hart, Security House, 9A Stafford Street, Walsall.

Hass, Sidney, B.Sc.(ECON.), A.C.A., 1961; Sidney Hass & Co, 48 Egerton Gardens, London, NW4.

Hills, David, A.C.A., 1955; Reynolds & Lane, 7 Elwick Road, Ashford, Kent, and at Folkestone.

Holledge, Donald Arthur, A.C.A., 1955; Jackson, Holledge & White, Midland Bank Chambers, 81 Queens Road, Bristol, 8.

Holt, Peter, A.C.A., 1956; 47 Camplin Crescent, Handsworth Wood, Birmingham, 20.

Howson, Clive, M.C., M.A., A.C.A., 1961; C. Howson & Co, Copeland House, Stoke-on-Trent, also at Leek, \*C. Howson & Co.

Jackson, Robert David, A.C.A., 1958; \*R. J. Jackson & Son, Park Lane, Puckeridge, Ware, Herts.

Jacob, Arthur Edward, A.C.A., 1961; Howard, Wade & Jacob, 78 South Audley Street, London, W1.

James, Peter Brian, B.Sc.(ECON.), A.C.A., 1961; ††David Kroll & Co, 35 Dover Street, Piccadilly, London, W1.

Kirkham, James Arthur, A.C.A., 1958; 12 Staveley Road, Ainsdale, Southport, and 152 Lord Street, Southport.

Lansberry, Paul, A.C.A., 1953; Harrison & Taylor, Westminster Bank Chambers, Carfax, Horsham, Sussex.

Lewis, John Richard, A.C.A., 1961; Lewis & Lewis, 40 Lansdowne Road, Luton.

Lord, James, D.F.C., F.C.A., 1950; \*S. W. Chawner & Co, Allen House, Newarke Street, Leicester.

Lyle, Ian Alexander Douglas, A.C.A., 1959; Leaver, Cole & Co, 54 Cannon Street, London, EC4.

Martle, David Henry James, A.C.A., 1960; Martle James & Co, 142 Locket Road, Harrow Weald, Middlesex.

Mayled, William Victor, A.C.A., 1961; \*George H. Brown & Sons, 63 High Street, Newport, I.O.W., and at Shanklin.

Miller, Bernard Thomas, A.C.A., 1952; Bernard T. Miller & Co, Seal House, 107-8 Upper Thames Street, London, EC4.

Morris, Thomas Alfred Patrick, A.C.A., 1960; 51 The Avenue, Pinner, Middlesex.

Moss, John Webster, A.C.A., 1961; John W. Hirst & Co, 28 Queen Street, Albert Square, Manchester, 2.

Nicholls, Barry Marshall, A.C.A., 1958; Howard Jones & Co, 115-117 Colmore Row, Birmingham, 3.

Orton, Maurice Henry, A.C.A., 1956; 3 Lady's Lane, Northampton.

Packer, Lincoln George Charles, F.C.A., 1938; Larking & Larking, 31 St George's Place, Canterbury; for other towns see Larking & Larking.

Page, John Edwin, A.C.A., 1956; A. T. Chenhalls & Co, 115 Chancery Lane, London, WC2, and Bouverie House, Fleet Street, London, EC4.

Parker, Ronald Ernest Alexander, A.C.A., 1952; H. W. Vallance Lodge & Co, 746 High Road, Tottenham, London, N17 and 4 Bloomsbury Square, London, WC1.

Peet, John, F.C.A., 1950; Lithgow, Nelson & Co, 413 Lord Street, Southport, and at Liverpool and London.

Perkins, David Frederick, A.C.A., 1953; Harrison, West, Ledsam & Co, 33 Waterloo Street, Birmingham, 2.

Perry, Derek Alexander, A.C.A., 1951; †Bowker, Orford & Co, 26-28 Hallam Street, Portland Place, London, W1.

Pope, Michael Frederick, B.A., A.C.A., 1961; Reeves & Young, 39-40 St Margaret's Street, Canterbury, and at Whitstable.

Powell, Wilfred Ralph, A.C.A., 1952; Larking & Larking, 26 Tufton Street, Ashford, Kent; for other towns see Larking & Larking.

Rathmell, John Anthony, A.C.A., 1960; 13 Hookfield, Epsom, Surrey.

Rattenbury, Lewis Harold, F.C.A., 1936; Blackburns, Robson, Coates & Co, 59 New Cavendish Street, London, W1, and at Bradford, Leeds and Manchester.

Roberts, Philip Vaughan, F.C.A., 1920; 83 Park Street, Bristol, 1. Rosser, Melvyn Wynne, F.C.A., 1950; †Deloitte, Plender, Griffiths & Co, Midland Bank Chambers, Castle Square, Swansea, and at Cardiff.

Rubin, Leslie Reuben, A.C.A., 1961; Leslie Rubin & Co, 31 Kingsley Road, Palmer's Green, London, N13.

Scourfield, Bryn James, B.A., A.C.A., 1959; \*Newton-Brooks, Thomas & Co, 3 & 4 Westgate Chambers, Commercial Street, Newport, Mon.

Slatter, Ronald Charles, A.C.A., 1953; A. E. Quaife & Gower, 19-21 Farringdon Street, London, EC4.

Smith, Gordon, A.C.A., 1961; John Goulding & Co, 4 Southport Road, Chorley, Lancs.  
 Smith, Kenneth Pasley, F.C.A., 1949; Blackburns, Robson, Coates & Co, 59 New Cavendish Street, London, W1, and at Bradford, Leeds and Manchester.  
 Smith, Ronald Carl, A.C.A., 1954; †John Baldock & Gregory, 32 Avenue Road, Grantham; also at Nottingham, †Taft, Baldock & Winstanley.  
 Storer, Richard Eric, A.C.A., 1955; Storer & Co, 54 The Butts, Coventry.  
 Sutherland, Donald Alexander, A.C.A., 1956; Croasdale & McCrossan and Jervis Taylor & Co, 72 Bridge Street, Manchester, 3.  
 Taylor, Reginald, A.C.A., 1957; Brebner, Allen & Trapp, 107 Baker Street, London, W1, and at Harlow.  
 Trickett, Kenneth, F.C.A., 1949; Joshua Wortley & Sons, 8 Paradise Square, Sheffield, 1.  
 Turton, Richard Charles, A.C.A., 1961; Turton Ross & Co, 91 Talbot Street, Nottingham.  
 Waring, Arthur James, B.A., A.C.A., 1958; Smithson, Blackburn & Co, Atlas Chambers, King Street, Leeds, 1.  
 Watson, Gordon, A.C.A., 1954; Trevor Jones & Co, 781 Hertford Road, Enfield, Middlesex.  
 Wild, David Alexander, A.C.A., 1956; J. Needham & Co, 3 York Street, Manchester, 2, and at Stockport.  
 Wilkins, John Richard, A.C.A., 1960; 36 Lea Road, Lea, near Preston.  
 Williams, George, A.C.A., 1961; Shipley, Blackburn, Sutton & Co, 52-53 Jermyn Street, London, SW1, and 12 John Street, London, WC1, also at Pinner.  
 Williams, John Robert, A.C.A., 1955; 58 Cranbourne Avenue, Wanstead, London, E11.  
 White, Michael Henry, A.C.A., 1960; Brannan, White & Charlton, Blossoms Inn, 23 Lawrence Lane, Cheapside, London, EC2.  
 Wright, Ronald Ernest, A.C.A., 1951; Keens, Shay, Keens & Co, 11 George Street West, Luton, and at Hitchin, Leighton Buzzard, London and Stony Stratford.

### Resignations

The Council accepted the resignations from membership of the Institute of:

Redfern, Frederick John, F.C.A., 56 Statham Street, Kedlesto Road, Derby.  
 Smith, Philip Derrick Etherington, F.C.A., 'Longhope', Uplands Road, Kenley, Surrey.

### Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Reginald Francis Ralph Barrow, F.C.A., London.  
 „ David Ritchie Bishop, O.B.E., F.S.A.A., Aberdeen.  
 „ Cedric Palmer Bolus, F.S.A.A., Johannesburg.  
 „ Geoffrey Bostock, F.C.A., London.  
 „ Edmund Banger Bower, F.C.A., Sydney.  
 „ Granville Havelock Bullimore, F.C.A., London.  
 „ Guy Mortimer Chantrey, M.B.E., F.C.A., Kemble.  
 „ Eric Davenport, M.A., F.C.A., London.  
 „ Patrick John Davey, F.C.A., Blackrock, Co. Dublin.  
 „ Edward Duvall Davies, F.C.A., Braunton.  
 „ Herbert Leonard Dickinson, F.C.A., Liverpool.  
 „ Sydney Joslin Forster, F.S.A.A., Westcliff-on-Sea.  
 „ George Gain, F.C.A., Chingford.  
 „ George Henry Grayson, F.S.A.A., Hull.  
 „ John Dudley Lyon Harmer, B.A., F.C.A., London.  
 „ Charles Gordon Jolliffe, F.C.A., Newport, Mon.  
 „ William Lewin Karamelli, O.B.E., F.C.A., London.  
 „ George Oliver May, F.C.A., Southport, Conn., U.S.A.  
 „ William Ernest Neal, F.C.A., Bridlington.  
 „ Edgar Newton, F.C.A., Halifax.  
 „ James Sawers, F.C.A., Woking.  
 „ Kenneth White, F.S.A.A., Cape Town.  
 „ William McIntosh Whyte, F.C.A., Worthing.  
 „ Asif Mahmud Zahid, A.C.A., Karachi.

## FINDING AND DECISION OF THE DISCIPLINARY COMMITTEE

*Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on May 1st, 1961.*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Ralph Warren, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that he signed the Accountants Certificates required by Section 1 of the Solicitors Act, 1941, relating to the practice of a solicitor for each of two

accounting periods without taking any or sufficient steps to ensure that those certificates were correct, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Ralph Warren, F.C.A., had been proved and the Committee ordered that Ralph Warren, F.C.A., of 3 Victoria Place, Haverfordwest, Pembrokeshire, be reprimanded.

## FINDING AND DECISION OF THE APPEAL COMMITTEE

*Finding and Decision of the Appeal Committee of the Council of the Institute appointed pursuant to bye-law 108 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on June 6th, 1961.*

The Appeal Committee heard an appeal against the Finding and Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that Philip Haighton Smith, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that being the liquidator of a limited company he signed and submitted to the Registrar of Companies for filing two

certificates relating to amounts paid to the contributors of that company which he knew or which he ought to have known were not correct, so as to render himself liable to exclusion or suspension from membership of the Institute. The Appeal Committee affirmed the Finding of the Disciplinary Committee that the formal complaint against Philip Haighton Smith, F.C.A., had been proved and the Committee affirmed the Decision of the Disciplinary Committee that Philip Haighton Smith, c/o a bank in Melbourne, Australia, be excluded from membership of the Institute.

# THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

## SEVENTY-SIXTH ANNUAL CONFERENCE

The seventy-sixth annual general meeting and conference of The Institute of Municipal Treasurers and Accountants took place in Blackpool on Wednesday, Thursday and Friday of this week. Some 1,500 members and representatives from local and public authorities throughout the country attended.

The conference commenced on Wednesday morning with an official welcome by the Mayor of Blackpool and then Mr A. L. A. West, O.B.E., F.I.M.T.A., delivered his presidential address. In the afternoon delegates were addressed by Dame Evelyn Sharp, D.B.E., Permanent Secretary, Ministry of Housing and Local Government,

after which the annual general meeting for members was held.

The Rt. Hon. Enoch Powell, M.B.E., Minister of Health, opened the proceedings on Thursday with an address, and in the afternoon Mr C. W. Mallinson, F.I.M.T.A., presented a paper on 'Problems of capital finance'. This paper, together with one by Mr T. R. Johnson, F.I.M.T.A., F.S.A.A., on 'Urban redevelopment finance', is summarized below.

The investiture of the new President and Vice-President (referred to in a Weekly Note on another page), took place on Friday morning.

## Extracts from the Report of the Council

### Trustee Investments and the Local Authorities Mutual Investment Trust

In recent years several local authorities have obtained by local Acts special powers to invest a proportion of superannuation funds outside the narrow range of trustee securities, and many trustees outside local government have obtained similar special powers. The Trustee Investments Bill at present before Parliament seeks to extend the powers of all trustees by enabling them to invest up to one-half of a fund in what are generally known as 'equities'.

It is proposed that this power should not be used for consolidated loans funds or for funds applicable for the redemption of debt, and, whilst there are many other local authority funds to which it will apply, the most important are likely to be local authority superannuation funds. The Bill has two other points of interest. The first is that local authorities' deposit receipts are to be recognized as trustee securities providing the loan is given in consideration of an undertaking to charge the loan on all or any of the revenues of the authority. The second is a clause enabling local authorities to join together for the purposes of investing money.

Under this clause the associations of local authorities intend to set up the Local Authorities Mutual Investment Trust - to be known as LAMIT. Members of the Institute have participated in the discussions which have taken place and a number of members have been nominated to serve on the managing body of the Trust.

The local authority associations point out that one of the objects of the Trust will be to offer to all local authorities, including joint superannuation committees, the convenience and economy which come from centralizing the specialized work of equity investment. Another object is to provide all authorities, large and small, with the advantages which can come from an investment portfolio that is spread over a wide and diverse range of industrial and commercial groups.

### Electronic Accounting

Local and public authority finance departments have always been well to the fore in the adoption of new accounting techniques, and in pre-war days made widespread use of both keyboard and punched-card equipment. With the arrival of electronics in recent years it has been gratifying to notice the rapidity with which this development has spread amongst the medium- and large-sized local authorities and the public boards. The typical installation probably comprises an electronic calculator externally programmed and card-operated which functions as a unit in a comprehensive punched-card installation, but a few local authorities are experimenting with the smaller type of internally pro-

grammed computer, and some of the public authorities are embarking on the use of larger integrated data processing equipment.

It has taken the public services, as it has taken other users, some years to decide the circumstances in which the different types of electronic equipment are appropriate, but a pattern of sorts is now emerging. At one end of the scale the mammoth public utility, with its customers counted in millions, has a problem of sheer size for which the large computer may well provide the answer. At the other end of the scale, the medium-sized local authority has a large volume of simple clerical work, but it comprises many relatively small jobs, few of which are closely related to the others. These authorities are tending to use punched-card installations incorporating a card-operated electronic calculator, though some are experimenting with the smaller computers. In between come the larger authorities which have a job or jobs with so many facets they will search for an integrated solution such as only the larger computer can offer. Public works accounting, where an integrated treatment of costing, payroll, materials accounting and control, works study and other management data, is theoretically possible, offers an example. These authorities may find a solution more difficult to attain, as the integration of several jobs on the automatic computer is proving an elusive quest. . .

### Recruitment and Training

Professional training is a matter of extreme importance and unless local authorities pay more attention to it, trained professional staff will be more difficult to obtain and local government as a whole will suffer. The Institute Council has written to the local authority associations expressing concern about some aspects of recruitment and training for the financial branch of local government and asking for discussions to be held. It is too early yet to say what the outcome will be, but it is hoped that it will be possible for a cohesive policy to be evolved, although it is of course recognized that the problems are not confined to the financial side. The co-operation of local authorities is, however, essential to any solution.

In an attempt to stimulate interest in local government finance as a career, the Council has prepared a booklet for the guidance of school leavers and careers masters. Large numbers of copies of this careers guide will be distributed during Commonwealth Training Week in May, and members of the Institute are participating with enthusiasm in the arrangement of special displays illustrating the possibilities of careers in local government finance, at local exhibi-

### Examination Syllabus

The Council is conscious that if the examination syllabus is not regularly reviewed it could become out of date and fail to achieve its object of providing a complete test in subjects appropriate to the training of a chartered municipal treasurer. The last major change took place in 1951 and the Council has for some time been considering the effect on the syllabus of changes in techniques and in the emphasis placed on different aspects of the work which have taken place since then.

As a result of this consideration the Council has now agreed a new syllabus to operate from May 1964, details of which are being published in *Local Government Finance*. The Intermediate examination will become a more general one, while retaining a local and public authority approach. Both in the Intermediate and Final examinations greater weight is given to accountancy. A new subject, 'Administration', is introduced in the Final and, for the greater convenience of students and their tutors, the law and finance papers are included in the same part of the Final. The needs of candidates from the public boards have been specially considered and it is hoped that the new syllabus will make the Institute's examinations more attractive to them.

### Roll of Membership

	January 1st, 1960	January 1st, 1961
<i>Summary</i>		
Honorary Fellows .. ..	26	25
Members: Fellows .. ..	755	836
Associates .. ..	2,385	2,464
Students .. ..	2,061	2,103
Honorary Members .. ..	287	288

### PRESIDENTIAL ADDRESS

Mr West, as the first Institute member from the hospital service to attain the presidency of the Institute, chose, as the subject of his presidential address, to survey the hospital service, its past, present and future.



Mr A. L. A. West

Before the transfer of the hospitals to the Ministry of Health in 1948, he said, the hospital service of the country had developed along two distinct lines: the voluntary hospitals stemming from the monastic hospitals, and the local authority hospitals developed initially under Poor Law provisions. In the last war the Emergency Hospital Scheme was devised to co-ordinate the work of the hospitals so that the fullest use could be made of them in war conditions. The experience gained during the war was of great value when the time came to transfer hospitals to State ownership.

A White Paper in 1944 in commenting on the patchwork system of the health services developed over the previous century stressed the need for co-ordination of hospitals to secure a combined and balanced service. The transfer which followed the war affected 1,143 voluntary hospitals and 1,545 municipal hospitals. These are now managed by boards of governors (teaching hospitals) and regional hospital boards and hospital management committees for non-teaching hospitals. In England and Wales the fifteen regional

hospital boards are responsible for overall planning and financial control within the regions and the hospital management committees for day-to-day running. The first estimates of the cost of the service were substantially understated, due to inadequate information and the necessary supplementary estimates resulted in serious criticism of the administration of the service which caused incalculable harm to its management in the early days. The Guillebaud Committee, set up partly as a result of the criticism, found in 1955, however, that the National Health Service had in fact, absorbed a decreasing proportion of the country's resources since it started.

Turning to the financing of the service, Mr West described the financial control procedure. The Revenue estimates for the hospital service are included in the civil estimates for the Ministry of Health, and the sums eventually approved by the Ministry became limits within which the hospital authorities can commit themselves.

The apportionment of the total money available between the various authorities is based on the cost of the current level of service and is open to criticism on the grounds that it does not achieve equality of provision throughout the country. But it is difficult to suggest an alternative, based for instance on the results of costing, as the services connected with ward treatment vary so widely.

If part of the authorization, capital or revenue, for one year is not taken up, it cannot be carried forward as an unspent balance to the next year, and an over-spending cannot be carried forward. It has been argued that there should be a block grant system covering a five-year period similar to that applying to Universities. But, said Mr West, it is doubtful whether any Government would be prepared to commit itself and its successors to expenditure of £2,500 million without an annual review.

An alternative suggestion was that if authorities were allowed to carry forward unspent balances, economies would result from the avoidance of the tendency for hurried spending in the last months of the financial year. There were powerful arguments against this as far as revenue account is concerned, but a case could be made out for the carry-over of capital balances – the control of capital finance within one year is one of the most difficult problems facing regional boards and boards of governors.

### Departmental Costing

Turning to accountancy, Mr West drew attention to the Ministry of Health study group which is considering the application of electronic methods to the accounting procedures in the hospital service and the experiments which are taking place in this field.

Considerable attention has been paid to costing in the service in the last few years, and from 1957 a large number of hospitals have introduced a full departmental costing system. The cost accounts which have attracted most attention so far have been those relating to such aspects as catering, laundry and boiler houses, and apparently considerable economies have been achieved. But there still remains a vast bulk of expenditure relating to the treatment of patients to which costing cannot readily be applied. The most intractable item of this kind is that of drugs. Mr West feels that departmental costing is an expensive proposition and

is not yielding the results which were expected because full use and investigation of costs is not being made.

On the future of the service, Mr West stressed the need for ensuring through adequate training schemes that the financial administrator is a professional accountant. There is need for a more free interchange of financial officers between all types of public authority.

The expanding capital programme presents some difficulties – amongst others Mr West mentioned the serious danger that if the present emphasis on adaptation is continued much longer the service will be permanently saddled with old and inferior structures because so much money has been spent on them that governments will be unwilling to cut their losses and rebuild. The system of forward capital planning which the Ministry have introduced recently should answer much of the misgiving that has been expressed about the capital programme.

Mr West thinks that there is great need for high-level research in the service into such matters as costing, the allocation of expenditure to hospitals, and such non-financial subjects as assessments of the need for hospital beds and out-patient facilities.

### Problems of Capital Finance

The problems associated with local authority capital spending in Great Britain, which at present is running at an annual rate of over £650 million, or rather more than one-sixth of the total national capital outlay, were surveyed by Mr C. W. Mallinson, F.I.M.T.A., D.P.A., County Treasurer of West Sussex, in a paper presented to the conference on Thursday.

The Government's 1944 White Paper on Employment Policy, he said, had set the stage for the post-war control of the level of employment partly through the acceleration or deceleration of the development plans of local and public authorities, but in practice, until very recently, this had resulted in considerable uncertainty on the part of the authorities.

The system presupposed that authorities had on hand capital schemes in such an advanced state of readiness that all that remained to be done when approval was given was the seeking of tenders. In practice it took up to eighteen months at least for relaxation and restraint to have the desired effect on the economy, by which time the general state of the economy could have changed considerably. It was recognized in the recent White Paper on Public Investment in Great Britain that control of capital investment in the public sector could play only a limited part in stimulating or retarding the national economy.

The uncertain state in which local authorities found themselves could be obviated if they could plan ahead in accordance with an ordered programme and in fact the Government departments had recently adopted procedures which would give at least preliminary approval to schemes several years in advance.

But it was unfortunate that local authorities would still lack an overall approved programme of capital investment, and there was need for the different Government departments to co-ordinate their procedures so that each local authority could periodically be notified of its total authorized programme for the next say, two or three years.

Mr Mallinson questioned the necessity for the present loan-sanction system in the light of the close control over capital expenditure by the approval procedure. The local authority's method of financing the consequent expenditure seemed to be irrelevant to the control of capital investment.

Post-war school building was cited as an outstanding example of what could be achieved by proper cost control. On a broad comparison, the cost of a school place last year was 15 per cent lower than in 1949 despite rising prices.

In all this represented a saving of about £350 million.

Another example was the Consortium of Local Authorities Special Programme (C.L.A.S.P.) which, by co-operation in the use of standard components on a large scale had achieved considerable economies, not only in school building but in a wide variety of construction work.

Mr Mallinson expressed the view that much more could be done in controlling capital expenditure.

### Urban Redevelopment Finance

In his address to the conference on Friday morning Mr T. R. Johnson, City Treasurer of Bristol, reviewed the major problems of finance confronting local authorities in redeveloping our cities. It is comforting to know, he said, that most of the great cities of the world are facing difficulties similar to our own.

The Town and Country Planning Act of 1947 raised high hopes, but fifteen years later the picture is very different. The 1947 Act promised a solution to the twin problems of compensation and betterment, now we have returned to 'market value' as a basis for compensation; a return made inevitable by the great upsurge of demand for private building and the consequent rapid increase in land prices, which made the continuance of a separate lower valuation basis progressively more difficult. In 1947 interest rates were low, now they are high. The 1947 Act, provided specific grants for losses on development in 'blitzed' and 'blighted' areas, but these grants have now been merged in the general grant.

The effect of the rising cost of land on the local authorities will vary according to circumstances. The greatest relative increase is likely to be for undeveloped 'ripe' land in peripheral areas suitable for low density housing, and it is likely to put an effective stop on local authority housing except where pressure is generated by redevelopment problems at the centre. Prices for developed land in central areas are unlikely to have increased so disproportionately. In areas of commercial redevelopment the effect will be to increase the burden of loss during the period when the sites are acquired, cleared and redeveloped, but in the long term higher disposal values should offset the higher acquisition costs. In other central areas, residential development will carry the high cost housing subsidy from the Government.

Mr Johnson gave some illustrations of the great diversity of the problems of redevelopment and stresses that the financial calculations involved in the various alternatives are complex, as the economic cost to the community can differ from the cost to the local authority as a rating authority or as a housing authority. Generally speaking, however, it has been demonstrated that whereas the economic cost to the community appears to be greater for an 'expanded' or a New Town compared with low density development at the periphery of a parent town, all are cheaper than high density development in central areas.

Mr Johnson then went on to examine the position of housing. The smallness of the Government subsidy for high cost sites, compared with the building subsidy shows how estate costs as a whole are dominated by the cost of the dwelling itself. On low cost land this usually accounts for about four-fifths of the total cost, and even on expensive sites, the proportions are little changed.

The combined effect of costs on housing and on planning activities seems likely to demand some reconsideration of the present inclusion of planning loss figures in the general grant calculations, and the inclusion of what is in effect a planning loss in the housing account. Good arguments could be put for a higher Exchequer subsidy towards high site costs for housing, and if multi-storey development is considered desirable, for increased rates of subsidy for this, together with a resumption of specific grants for major schemes.

But where a local authority is prepared to move on its own initiative, without grant and the consequential control, it should be left free to do so.



# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS LINGARD, WILSON & Co, Chartered Accountants, of Marsden Chambers, 10 Marsden Street, Manchester, 2, announce that Mr JOHN P. NIGHTINGALE, F.C.A., and Mr ALWYN C. R. THOMPSON, M.A., A.C.A., have been admitted to partnership as from April 10th, 1961. The firm name remains unchanged. Mr NIGHTINGALE and Mr THOMPSON are also partners of Messrs P. & J. KEVAN, Chartered Accountants, of 12 Acresfield, Bolton.

MESSRS HENRY M. MURPHY & Co, of 4 & 5 Trinity Street, Dublin, 2, announce that Mr JAMES A. STRICKLAND, A.C.A., has been admitted to partnership.

## Appointments

Mr T. H. Macer, M.C., F.C.A., has been appointed an additional director of Sungei Bahru Rubber Estates Ltd.

Mr C. D. Wansbrough, F.C.A., chief accountant of Montague Burton Ltd, has been appointed an executive director of the company.

Mr Peter Williams, F.C.A., has been appointed a director of J. B. Broadley Ltd.

Mr J. S. Dent, B.A., F.C.A., has been appointed a director of London Hydraulic Power Company.

Mr L. S. Bright, F.C.A., has been appointed financial director of Consolidated Pneumatic Tool Co Ltd.

Mr D. V. Littlejohn, T.D., F.C.A., has been appointed a managing director of Godfrey Phillips Ltd.

Mr D. McC. Watson, B.A., LL.B., F.C.A., a Past President of The Institute of Chartered Accountants in Ireland, has been appointed a director of the Ulster Bank Ltd.

Mr Eric Turner, F.C.A., has been appointed chairman of The Birmingham Small Arms Co Ltd.

Mr L. H. Beare, B.COM., F.C.A., has been elected junior vice-president of the Birmingham Chamber of Commerce.

Mr Peter H. Dunn, LL.B., F.C.A., secretary of Brown Shipley Holdings Ltd, has been appointed a director of the company, and of its subsidiary companies, Brown, Shipley & Co Ltd, and Brown Shipley Trust Ltd.

Mr A. M. Parsons, F.C.A., has been appointed secretary of the General Electric Co Ltd; he will be released from his duties with Esso Petroleum Co Ltd from July 17th.

Mr R. B. Drummond, A.C.A., has been appointed a director of William Verry Ltd.

Mr R. C. Blackie, C.A., A.C.I.S., A.C.W.A., has been appointed chairman of Rowan & Bolen Ltd.

Mr C. S. P. Mallam, C.A., formerly chief accountant, is appointed controller, and Mr B. E. Davey, F.C.A., formerly deputy chief accountant, is appointed chief accountant of the General Electric Co Ltd, as from July 1st.

Mr George Henry Osborne, A.A.C.C.A., has been appointed a director of Calgary & Edmonton Land Co Ltd.

Mr Edwin P. Hubbard, F.A.I.A., F.C.C.S., of London, has been unanimously re-elected chairman of the Association of International Accountants for the ensuing year.

Mr W. E. Lovell, F.C.A., has been appointed chairman of Tan Sad Holdings Ltd.

Mr Douglas J. Kean, T.D., F.C.A., has been elected a director of J. Darnell & Son Ltd.

Mr C. B. Carrick, M.C., T.D., J.P., F.C.A., has been appointed chairman of the Tyne Improvement Commission.

## CENSUS OF PRODUCTION Advisory Committee Members

Mr L. W. Robson, F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, and Mr R. D. R. Bateman, M.B.E., F.C.A., director and chief accountant, Bass, Ratcliff & Gretton Ltd, are members of an advisory committee appointed by the President of the Board of Trade to advise on the preparation of forms and instructions, and the making of any orders, for the census of production to be taken in 1963 in respect of the year 1962, and for the two subsequent annual censuses.

Inquiries in regard to the censuses should be addressed to the secretary of the committee, Mr L. S. Berman, Census Office, Board of Trade, Lime Grove, Eastcote, Ruislip, Middlesex.

## COMPANY INVESTIGATION

Mr David Douglas Rae Smith, M.C., B.A., F.C.A., a partner in Deloitte, Plender, Griffiths & Co, Chartered Accountants, and Mr Michael Mortimer Wheeler, Q.C., have been appointed by the Board of Trade under Section 165 (b) of the Companies Act, 1948, as inspectors to investigate the affairs of Freehold Land Finance Co Ltd.

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**ARTICLED CLERKS FROM OVERSEAS****Introductions to members with vacancies for Articled Clerks**

The following statement has been made by the Council of The Institute of Chartered Accountants in England and Wales:

'During 1960, some 275 students from overseas entered articles.

'Of these, fewer than fifty did so as a result of introductions from the Institute's offices at Moorgate Place. Although there is always a large number of overseas students in this country who, in the hope of an introduction, have given particulars to the Institute, members appear reluctant to notify vacancies. The Council wishes members, in their own interest as well as in the interest of students from abroad, to make greater use of the Institute's introductory service. It is hoped that the following particulars of the method adopted will encourage them to do so.

'Full details are kept of overseas students who are eligible to enter articles and are immediately available for interview. Students are not selected at random for reference to principals. An effort is made to see that names given are of students who appear suitable in any particular case.

'Names of members are not given to such students from overseas. A member will be given the name of a student and it will be for him to approach that student or not as he wishes. No overseas student may therefore properly represent that he has been informed by the Institute that a member has a vacancy for an articled clerk.

'This introductory service leaves with members the ultimate responsibility of deciding whether or not an applicant should be offered articles. It does, however, offer the prospect of a better foundation for interviews than would, for example, placing or answering advertisements in the national and professional Press.'

**ASSISTANT OFFICIAL RECEIVER  
APPOINTMENTS**

The Board of Trade have announced that as from June 12th, 1961, Mr Bernard James Longley, has been appointed an Assistant Official Receiver in Bankruptcy attached to the High Court.

They also announce that as from June 8th, 1961, Mr Dennis Sidney Clackett has been appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of Bristol, Bath, Bridgwater, Cheltenham, Frome, Gloucester, Swindon and Wells and also for the Bankruptcy District of the County Courts of Exeter, Barnstaple and Taunton.

**EAST ANGLIAN SOCIETY OF  
CHARTERED ACCOUNTANTS**

At the recent annual general meeting of the East Anglian Society of Chartered Accountants, Mr E. A. Bland, D.S.O., F.C.A., a partner in the firm of Bland, Fielden & Co, Chartered Accountants, of Colchester, was elected President of the Society for the ensuing year.



Mr E. A. Bland

Educated at Uppingham, where he represented the school at cricket and fives, Mr Bland became articled to his father, the late Mr C. F. Bland, D.S.O., F.C.A., in 1938. He joined the Royal Air Force Volunteer Reserve in September 1939, was trained as a pilot in Southern Rhodesia, and became captain of Coastal Command Hudson, Flying Fortress and Liberator air-

craft on anti-submarine operations. In 1943, as a Flight-Lieutenant, Mr Bland received the immediate award of the Distinguished Service Order after an action against a U-boat in which his Liberator was shot down into the Atlantic. Later he was on the Coastal Command Headquarters staff and personal pilot to the Commander-in-Chief.

After the war, Mr Bland resumed articles and was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1948. In the same year he became a partner in his present firm. He was elected to fellowship of the Institute in 1958. Mr Bland, who was elected to the committee of the East Anglian Society of Chartered Accountants in 1948, was appointed the first chairman of the newly formed Colchester/Ipswich branch of the East Anglian Society in 1958 and served for two years in that capacity.

Other officers elected for the ensuing year are as follows.

*Vice-President:* Mr A. K. Sheppard, F.C.A.

*Hon. Secretary and Treasurer:* Mr H. Robinson, F.C.A., c/o Messrs Robinson & Co, Elm House, 4 Elm Hill, Norwich.

Messrs F. J. Eves, F.C.A., G. E. Goodchild, F.C.A., G. A. G. Oldfield, F.C.A., C. H. Sutton, F.C.A., and J. C. Thornley, F.C.A., were re-elected to the Society's Committee.

**OXFORD UNIVERSITY APPOINTMENTS  
COMMITTEE**

The report for 1960 of the Appointments Committee of the University of Oxford states that there were 2,834 men registrants during the year.

The number of vacancies notified by employers during 1960 totalled 9,446, of which 6,252 called for men with scientific qualifications. The acute shortage of mathematicians and scientists in schools continued,

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and 804 such vacancies were recorded, out of a total of 2,273 educational vacancies. Of 1,325 non-technical vacancies in industry and commerce, 1,266 were for arts men going down into first posts.

A table giving details of the appointments obtained through the committee shows that of 889 permanent posts filled by men, fifty-five were in public service, 308 in education and 443 in industrial and commercial firms. Of the 889 posts obtained, a total of 717 of these were filled by men taking their first job on completing their studies or on completion of National Service. Of this latter group, forty-four posts were in finance (including actuarial and cost control) and thirteen were serving accountancy articles.

The report of the Women's Secretary states that the number of registrations carried forward from the previous year totalled 275; registrations revived during the year numbered 108 and there were 329 new registrations. There is still an insatiable demand for teachers with regrettably few candidates, and the scarcity is now being felt in such subjects as English and geography as well as science and mathematics. The number of posts filled during the year was 189, of which twenty-nine were governmental, ninety-three educational and twelve industrial.

### CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The Chartered Accountants' Golfing Society played its annual match against the London Solicitors at Walton Heath course on Sunday, May 28th. Apart from some rather heavy showers at the end of the morning and afternoon rounds, the weather behaved itself extremely well; the course was in excellent condition and the match was as keenly contested as ever. The result was a win for the Chartered Accountants by 7 matches to 3.

The individual results (Chartered Accountants' names first) were:

#### MORNING

- J. M. Kaye and D. W. Gibson beat T. G. Parry Jones and F. L. Perkins, 3 and 2.  
T. D. W. Slater and W. B. Henderson beat N. Roberts and F. R. Furber, 1 up.  
W. O. Newcomb and H. C. Staines lost to J. E. Webb and G. Watson, 3 and 1.  
R. G. B. Drummond and D. J. Hedges beat G. Vaughan and W. O. Farrer, 6 and 4.  
D. G. Richards and E. Head halved with L. Nathanson and R. Chamberlain.

#### AFTERNOON

- Kaye and Slater beat Parry Jones and Roberts, 1 up.  
Staines and Gibson lost to Perkins and Furber, 7 and 6.  
Henderson and Drummond beat Webb and Chamberlain, 1 up.  
Newcomb and Richards halved with Vaughan and J. Hodgson.  
Hedges and Head beat Farrer and Nathanson, 2 and 1.

### REVENUE PAPER

#### Trinity Sittings, 1961

The following cases are down for hearing during the Trinity Term:

#### HOUSE OF LORDS

- Winter and others v. C.I.R.  
C.I.R. v. J. B. Hodge & Co (Glasgow) Ltd.  
Hood Barrs v. C.I.R.  
North of Scotland Hydro-Electric Board v. C.I.R.

#### COURT OF APPEAL

- Henry Ansbacher & Co v. C.I.R.  
Ackland & Pratten Ltd (in liquidation) v. C.I.R. (s.o. pending House of Lords decision).  
Jenkinson v. Freedland.  
Forest Side Properties (Chingford) Ltd v. Pearce.  
Forest Side Properties (Chingford) Ltd v. C.I.R.  
Littlewoods Mail Order Stores Ltd v. C.I.R.  
Brown v. Bullock.

#### HIGH COURT (Chancery Division)

- Jamieson, v.c. v. C.I.R.  
Wills v. C.I.R.  
British Commonwealth International Newsfilm Agency Ltd v. Mahany.  
Hibbert v. Fysh.  
T. S. S. Investments Ltd v. C.I.R.  
Feather Brothers Ltd v. C.I.R.  
Godden v. A. Wilson's Stores (Holdings) Ltd (formerly The Morib Plantations Ltd).  
McKie v. Warner.  
Rae v. Lazard Investment Co Ltd.  
Davies v. Edwards.  
E. Y. L. Trading Co Ltd v. C.I.R.  
Brogan v. The Stafford Coal & Iron Co Ltd.  
C.I.R. v. The Stafford Coal & Iron Co Ltd.  
Coates v. The Holker Estates Co.  
de Voil v. Welford Gravels Ltd.  
Spencer v. C.I.R.  
Garside v. C.I.R.  
C. H. W. (Huddersfield) Ltd v. C.I.R.

### ANNOTATED TAX CASES

Part 1 of Volume XL of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports with notes on the judgments of the following cases: *Verdin (Tollemache Settled Estates Trustees) v. Coughtrie* (H.L.); *Ralli Estates Ltd v. East African Commissioner of Income Tax* (P.C.); *Collco Dealings Ltd v. C.I.R.* (H.L.); *Butler v. Butler* (C.A.); *Ostime v. Duple Motor Bodies Ltd* (H.L.); *Montague L. Meyer and Camusa Ltd v. Naylor* (Ch.D.).

The annual subscription to the *Annotated Tax Cases* is 50s post free; the publishers are Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.

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## Plant and the Investor

IT is perhaps appropriate to this mechanical age that one of the spheres in which tax law has evolved most rapidly is that of allowances for the cost of plant and machinery. The comprehensive system of allowances introduced in 1945 was a far cry from the rather grudging allowances for wear and tear which preceded it. And these were confined to profits in the ordinary sense of income from personal effort. The idea of capital allowances for machinery used by an investor would have seemed strange not very long ago. However, the Inland Revenue in advance of the legislature, introduced extra-statutory concessions under which owners of property, as well as investment companies, could claim capital allowances. Now as everyone who has negotiated with the Inland Revenue knows, an extra-statutory concession is never so satisfactory as a legal right, because the officials can construe the concession in their own way. It was therefore a welcome change when Section 72 of the Finance Act, 1960, unobtrusively gave statutory sanction to these concessions and even extended them somewhat. The few laconic words in the published concessions have been expanded into a section which covers over two and a half pages. The expansion is partly to circumvent double or otherwise anomalous claims.

Two categories of machinery and plant are covered by the section. The first is plant 'provided for use or used for the purposes of the management of' bodies which can claim management expenses relief under Section 425 of the Income Tax Act, 1952, as extended by Section 438, i.e. life insurance companies, investment companies (or industrial and provident societies) and savings banks. The second category is plant 'provided for use or used by the owner of land or houses chargeable under Schedule A for the maintenance, repairs or management of the land or houses'. This opens a very wide field. In management expenses claims it covers all kinds of office machinery, as well as motor-cars provided for the company's officials. In maintenance claims the scope is even wider; all kinds of plant used in repair work on land of all types as well as vehicles used in the course of rent collection or tours of inspection. However, touring one's estate in a Rolls-Royce, if it was acquired after the last Budget, is likely to bring on the difficulties imposed by clauses 20–23 of the current Finance Bill, which are aimed against cars costing more than £2,000.

The first part of the section makes the above machinery subject to Chapter II of Part X of the Income Tax Act, 1952, and the subsequent legislation relating to it, just as though the machinery were provided for use or used for the purposes of a

trade. It follows that the estate owner or investment company can also claim investment allowances, notwithstanding that capital allowances, and especially investment allowances, were conceived as a measure for increasing productivity rather than the maintenance of investments. The change commences with the year 1960-61 and the section makes clear that no investment allowance is to be given for expenditure incurred before that year, notwithstanding Section 279 of the 1952 Act.

The distinction drawn in profits computations between deductible expenses and capital allowances necessarily becomes somewhat blurred in a claim for relief in respect of 'expenses'. The third subsection to Section 72 directs that the allowances are simply to be added to the 'relevant expenditure'. Where a balancing charge arises it is to be deducted from that relevant expenditure (or the relevant expenditure plus the allowances). If the charge exceeds the latter sum, the excess is to be charged under Case VI of Schedule D.

The complicated provisions as to basis periods are unnecessary in the case of management expenses and maintenance claims; the basis period is in every case the year of assessment. 'Relevant expenditure' is, in the case of management expenses, the expenditure of the year of claim. In the case of maintenance claims, it is the cost of maintenance etc. as determined under Section 101 of the 1952 Act. In the normal case this is the average of the preceding five years. It follows that capital allowances are ignored in computing that average; the capital allowances of the year of claim, without averaging, are added to the average expenditure of the preceding five years. This is apparently not the same basis as was adopted when capital allowances were concessional; the concession provided for the notional capital allowances to be added to the expenditure in each of the five years and thus to be subjected to averaging in themselves. It follows that if the concession has been given, then for 1960-61 and subsequent years the five years' average of maintenance expenditure will have to be recomputed by excluding any concessional inclusion of capital allowances in such maintenance expenditure.

Section 72 leaves it open to the taxpayer to go on claiming expenditure on renewals of plant and machinery in the time-honoured way, subject

of course to addition of investment allowances. Other allowances are not to be given unless the taxpayer elects (subsection (6)). Once made, an election operates for all subsequent years. It can be confined to machinery of a particular class, e.g. to a class of machinery which is renewed only at very long intervals. However, if effect has been given to a claim without the election, then an election for that or a subsequent year cannot be made. This restriction clearly only applies for 1960-61 and subsequent years, there cannot have been any 'election' for a previous year, notwithstanding the existence of the concession.

Subsection (8) makes overall provision against double allowance in respect of the same machinery. Once an election is made for any machinery, the expenditure on it cannot be taken into account otherwise than for the purpose of capital allowances under Chapter II. However, this does not operate to reduce the carry-forward of management expenses in so far as they exceed the income of the year of claim. There is no provision for carry-forward of capital allowances where the relevant estate income is less than the amount on which maintenance relief is due. On the other hand, where for this reason effect is not given to say an annual allowance, then in the subsequent computation of a balancing allowance or charge this fact is to be taken into account (subsection (5)). This subsection concludes with a somewhat unusual provision:

'Nothing in this subsection shall affect the operation of Section 295 of the Income Tax Act, 1952 (under which annual allowances are deemed to have been made in certain cases for years in which they are not made), nor shall anything in that section affect the operation of this subsection.'

THE CHANCELLOR OF THE EXCHEQUER promised the House of Commons on Tuesday that in the autumn the Inland Revenue would publish a leaflet which would set out very clearly the circumstances under which property owners could claim maintenance relief. He was speaking against a proposed new clause in the Finance Bill which would abolish Schedule A tax altogether; a clause which was rejected.

MR LLOYD pointed out that while owner-occupied property was assessed in general on 1936-37 values, maintenance relief was given on the current cost of repairs etc. The whole matter would be reviewed in 1963 when the next Schedule A revaluation was expected.



## On the Brink

IT is now obvious that Britain is on the verge of coming to a decision on the Common Market. While it may well be true that the timing of the Government's final step in the matter is still uncertain, the recent flurry of ministerial speeches and not least the many articles in the serious and popular Press, make it clear that an agonising reappraisal of our European policy has taken place and a major decision to join the Six has been taken. The limitations of the European Free Trade Association, i.e. the Outer Seven, are evident to all, as is the remarkable economic expansion of the Economic Community. But whereas until quite recently most advocates of Britain's entry into the Common Market were merely stressing the need to revive negotiations with the Six and with France in particular, there is a growing body of influential opinion that Britain should get in on almost any terms as early as possible. Once a member, then it is hoped that British opinion on future policy may make itself felt.

The change in opinion has come despite the fact that the two major economic difficulties still remain largely unsolved. They are the role of the Commonwealth and what is left of imperial preference, together with the future of British agriculture and what form Government assistance should take. Nevertheless, it is noticeable that no really influential voice is asserting that these two problems are insoluble.

From the outset, however, the political implications of membership in a community which aims to create a *supra*-national authority whereby member countries' own policies in political, social and economic affairs must take account of Community decisions, must be kept clearly in mind. This is the price for a chance to continue playing a key role in European affairs, as well as of a foothold in the European economy. On the other hand, much has been made by supporters of Britain's entry into the Common Market of the advantages to the British economy which will accrue from membership. The opening up, instead of the gradual exclusion from the most rapidly-expanding market in the world, coupled with the stimulus of competition should, it is

argued, provide the fillip urgently needed by the British economy to higher productivity and balance of payments stability.

Although a final and probably irrevocable decision must soon be taken on the European issue, the economic benefits can accrue only in the longer run. In the meantime the British economy faces the approach of autumn – the season of pressure on sterling – in a far from happy state. The May trade returns undoubtedly came as something of a shock. Central bank co-operation will protect the pound sterling for a time, but something must be done to improve the overseas payments position. Although the gold and dollar reserves are backed by substantial secondary lines of reserves, their object, according to SIR RALPH HAWTREY, 'is to provide the means of supporting whatever rate of exchange (Government) policy prescribes in the interval between the first appearance of an adverse balance and the time at which monetary and credit measures adopted to correct it become effective'.<sup>1</sup> According to SIR RALPH 'all such measures should be regarded as directed to maintaining the appropriate rate'. The appropriate rate is, however, a matter for debate. Whereas many observers are seriously concerned with the upward drift of internal costs and the dangers that we shall price ourselves out of overseas markets to such an extent that another devaluation becomes unavoidable, SIR RALPH argues that the 1948 devaluation of sterling was excessive and that even now the pound sterling remains undervalued. His thesis is based on the state of the labour market and he believes that the 'wage level will go on rising until the increase in costs has wiped out the under-valuation'. SIR RALPH's view is a minority opinion, but that does not detract from the quality of his argument throughout his collection of essays on our post-war currency problems. In the meantime no one will envy Her Majesty's ministers as they stand poised on the brink with familiar economic difficulties behind them and unknown problems before them.

<sup>1</sup> *The Pound at Home and Abroad*. Longmans, Green & Co Ltd, London. 27s 6d.

# Capital Budgeting — III

by N. H. GREEN, F.C.A.

*This article concludes the series contributed by the author who is responsible for the development of accounting procedures in the operating companies of the Nestlé Group.*

IN the preceding article the theory of the present value method of calculating return on investment was explained in some detail. It was pointed out that the timing of investments and receipts is so significant that failure to take it into account may lead to an incorrect calculation of the rate of return. The object of this concluding article is to show how the present value concept can be used to calculate the return on a typical investment proposal.

The basis of the calculation is the 'cash-flow statement', which is a forecast of the cash outgoings and incomings during each year of the anticipated life of the project. At this point sceptics will point to the difficulties of making sales estimates five or ten years ahead and it is true that some very broad assumptions must be made. But do not forget that whoever decides to build a factory must make certain estimates implicitly, whether or not they are actually put on paper. Management's decision on manufacturing capacity required must be based on a sales estimate and it is preferable to make some intelligent estimates of sales potential based on market research, etc., rather than a wild guess. It is highly desirable to compare the required investment with possible profits, even if afterwards reality turns out to be quite different. At least some of the more glaring errors will be avoided if the best possible estimates are used as the basis of a co-ordinated study — perhaps the key word is 'co-ordinated'. Undoubtedly, the main source of serious error is lack of co-ordination between functional divisions.

The preparation of the information necessary to complete the 'cash-flow statement' will usually be a lengthy task and the next few paragraphs will be devoted to considering how this information should be obtained.

## Amount of the Investment

The cash outflows are represented by the investments in fixed assets and in working capital. If the expenditure on fixed assets is to be spread over more than one financial year, a timetable should be drawn up showing the expenditure in each year on different classes of fixed assets. All expenditure in connection with the project should be taken into account, regardless of the accounting treatment of the funds spent. Any items such as demolition of existing structures, erection expenses, etc., which can be charged to current expense accounts should be included in these estimates, but indicated separately. To facilitate the estimation of initial and annual allowances for income tax purposes, expenditure on fixed assets should be classified in accordance with the

different rates for annual wear and tear allowances.

The investment in working capital may be simplified by taking into account only raw materials and finished goods. The assumption may be made that increases in debtors will be offset by corresponding increases in creditors, reserves for taxes, etc. In the case of an expanding project, working capital will increase gradually until maximum capacity is reached, and it will be necessary to take into account the additional investment each year. At the end of the estimated life of the project the whole of the working capital should be treated as a cash incoming.

## Estimated Project Life

Many factors must be taken into account when deciding how to estimate the life of the project. In some trades products remain unchanged for many years and the physical life of the assets may be the most important factor. More frequently the product life is likely to be shorter than the physical life of the assets and some consideration should be given to the situation when the product will be obsolete. Can the factory building and some of the machinery be used to manufacture an improved product in five or ten years time? If so, perhaps the best procedure is to take a fairly short estimated life and estimate the value of the remaining assets at the end of this period — either the value to the business for manufacturing other products or the realizable value.

No account should be taken of inflation and the value to the business in five or ten years time will probably be best calculated by taking a certain percentage of the original cost value of the assets. Buildings of sound construction which are properly maintained do not depreciate very quickly and may be maintained at a value not much below cost. Any residual value estimated in this way should be shown as a cash incoming at the end of the estimated life, in the same way as the investment in working capital.

## Earnings of the Project

The earnings of a project can be classified as follows:

- (1) savings due to a reduction in operating costs;
- (2) additional profits due to increased sales.

Since we are dealing now with expansion projects, the main revenues should be in class 2, but frequently there is a combination of both classes. If an old factory is replaced by a new one having double the capacity, there may be cost savings on the existing sales as well as profits from increased sales. Alternatively, the fixed costs of a very much larger factory may result in a higher total cost per unit until sales

can be expanded to absorb a higher production. Estimating costs in a factory which exists only on the drawing board is not easy and only cost accountants who are familiar with the manufacturing processes will be competent to do this work.

Sales estimates must be made for the whole of the estimated life of the project. In practice, estimates may be made for the years between the start of production in the new plant and the attainment of full capacity. From the latter date until the end of the project life the estimated volume of sales may remain unchanged.

Before establishing his estimate of the profit on the additional sales the accountant must decide whether he intends to follow marginal costing principles. Although some form of 'total' or 'absorption' costing may be the standard method employed in the business the accountant should be prepared to use marginal costing techniques for the purpose of certain decisions particularly in relation to investment proposals. In many companies spare capacity exists either in the manufacturing, distributing or selling organization and the overall profitability of the business will be improved if this spare capacity can be used. A company may have a nation-wide network of depots and representatives which can easily handle a few more products with very little additional expense. In these circumstances the return which can be obtained from an investment in additional manufacturing facilities may be very high indeed.

The marginal profit resulting from the additional sales should be calculated in order to guide the management in their decision on the investment proposal. On the other hand, care must be taken to ensure that marginal cost calculations of this kind are not misused. For the purpose of fixing selling prices of the new products, total costs should be prepared, including a reasonable share of all the overheads of the business. Marginal costing should be used with caution when the proposed increase in volume is a significant proportion of the existing sales and therefore likely to cause an increase in the so-called 'fixed expenses'.

Advertising is usually an important item in the profit and loss account, especially if the project involves the launching of new products. Estimates of the necessary expenditure must be based on past experience, as well as the nature of the product, the kind of market that is to be reached, the advertising media which will be used, etc.

Depreciation of fixed assets should not be deducted in the profits estimates. It was explained in the preceding article that the rate of return indicated by the financial method is calculated after providing for the repayment of the investment during the estimated life. If any part of the assets have a physical life which is shorter than the project life, it will be necessary to provide the cost of replacement in the appropriate year in the 'cash-flow statement'. Neither should any form of interest be charged in the estimated profit and loss accounts, since the object of the calculation

is to express profit as a rate of return (or interest) on the whole capital employed.

### Income Taxes

All taxes on profits payable by the company should be taken into account. For the purpose of computing taxes payable, the net profit, calculated as described in the preceding paragraph, will be reduced by the annual and initial allowances. If a company which is already making steady profits decides to build a new factory, there will be substantial benefits in the form of wear and tear allowances to be received long before the project begins to show profits. In the example which follows it is assumed that these wear and tear allowances will be set against profits earned in other sectors of the business. The substantial tax allowances which are granted in many countries in order to encourage investment can have an important influence on net rate of return.

### Worked Example

In order to illustrate the calculation of return on investment by the present value method a simplified example is set out below. As previously mentioned, the basis of the calculation is the cash-flow statement, showing the cash outgoings and incomings during the estimated life. In view of the limited space available only a summary of the investments and income is shown in the attached exhibits. The preparation of this summary would require a series of working papers in which are set out the details which have been mentioned in the preceding paragraphs. In order to reduce the preparatory work some short cuts should be taken when dealing with figures which are insignificant in comparison with the principal estimates which have been made. For example, the effect of initial and annual allowances can be considerable in the first half of the life, but in later years annual allowances will probably be quite small and an approximation is quite sufficient.

In practice it is desirable to work out a number of alternative calculations showing the probable return in various sets of circumstances. These alternatives may take into account:

- (1) different levels of sales;
- (2) different estimates of the life of the project;
- (3) different levels of advertising and promotional expenditure.

The return in each set of circumstances should be indicated to the management who will have to assess the possibility of fulfilling the estimates which have been made.

Figure 1 is a table of the investments and the income year by year.

Figure 2 is the cash flow statement on which the rate of return is calculated. The object of the calculation is to find the rate at which the present value of the investments is equal to the present value of the income. This rate can only be found by trial and error and the selection of the initial trial rate will

Figure 1

## INVESTMENTS AND INCOME

(all figures are in thousands of £s)

Year	Investments			Income		
	Fixed assets	Working capital	Total investment	Net profit before interest, depreciation and taxes	Taxes	Net earnings
	£	£	£	£	£	£
1961	30		30	—	(2)	2
1962	120		120	—	(20)	20
1963		40	40	(10)	(15)	5
1964		10	10	1	(6)	7
1965		20	20	10	(1)	11
1966		15	15	30	12	18
1967	5	5	10	80	36	44
1968				80	37	43
1969				80	38	42
1970				60	29	31
1971				55	26	29
1972	(30)	(90)	(120)	50	24	26
Total	125	—	125	436	158	278

## Notes:

- (1) Certain tools costing £5,000 will be replaced in 1967; the residual value of the factory is estimated at £30,000.  
 (2) Production and sales will commence in 1963 and in that year working capital will be required.  
 (3) The net profit calculations take into account a heavy initial advertising campaign.  
 (4) The figures in brackets in the column 'Taxes' represent a reduction of the overall tax liability.

Figure 2

## CASH FLOW STATEMENT

Year	Investments and Income per Figure 1		Present value at 10 per cent			Present value at 8 per cent		
	Investments	Income	Discount factor	Investments	Income	Discount factor	Investments	Income
	£	£		£	£		£	£
1961	30	2	.950	28	2	.959	29	2
1962	120	20	.864	104	17	.889	107	18
1963	40	5	.785	31	4	.822	33	4
1964	10	7	.714	7	5	.762	8	5
1965	20	11	.649	13	7	.705	14	8
1966	15	18	.589	9	11	.653	10	12
1967	10	44	.537	5	24	.605	6	27
1968		43	.487		21	.559		24
1969		42	.443		18	.519		22
1970		31	.403		12	.480		15
1971		29	.367		11	.444		13
1972	(120)	26	.333	(40)	9	.412	(49)	11
	125	278	—	157	141	—	158	161

Note. — The discount table used in compiling these statements shows the present value of £1 to be received in twelve equal instalments at the end of each month during the year.

probably be hazardous until some experience has been obtained.

In the example the first rate used was 10 per cent and at this rate the present value of future income was £141,000 compared with £157,000 for the investments. At 8 per cent the present value of income is £161,000 and that of investment is £158,000. This indicates that the return slightly exceeds 8 per cent, but in view of all the estimates that have been made, it is preferable to show the return to the nearest whole number.

### Post Audit

Standard methods of calculating return are of little use unless the calculations are based on carefully thought-out estimates, approved by the management. There is a natural tendency to make superficial estimates and so avoid the long and tedious studies which a really thorough investigation requires. But large sums are at stake and the investment analyst must insist that the work is done properly. To help him it is advisable to introduce a kind of 'post audit' on certain important elements of the investment proposals.

In a multi-product business it is usually difficult or impossible to isolate the profit on the operation of a particular machine or product. However, it is suggested that for the following elements actual performance can be checked against estimates once the investment has been completed and running for a year or so:

- (1) the investment in fixed assets;
- (2) expenditure charged to revenue in the year in which it is incurred (demolition costs, preliminary expenses, etc.);
- (3) the number of workers employed on the operation (especially in respect of projects involving the mechanization of manual work);
- (4) the cost of materials, labour and direct expenses;
- (5) additional sales volume and unit selling prices;
- (6) advertising expenditure.

### Introduction of New Methods

The problems likely to be encountered in the introduction of new procedures in the field of capital budgeting are those which will be met in any branch of the business when existing practices are to be changed. There will be opposition, particularly from those executives who may feel that their authority is restricted in any way. A comprehensive programme of education and explanation must be undertaken in order to 'sell' the new procedures to all the executives concerned.

In a large organization it is preferable to make extensive trials at one or two selected plants before the new methods are introduced generally. Practical application on an experimental basis will inevitably reveal some flaws and at this stage corrections can be made without any loss of prestige. Once general instructions have been issued by head office to all plants, it is more difficult to make changes without jeopardizing the future of the whole procedure (and

probably the future of the executive who is backing it). Trial plants should be selected carefully, since the whole-hearted cooperation of the executives on the spot is essential. A certain number of executives will be against any kind of innovation and it is useless to ask that they should take an intelligent interest in new ideas at this stage. Constructive criticism is required from people who understand both the job to be done and the objectives of the new methods, therefore, choose plants where there is the right kind of executive who will help rather than hinder.

### Assessing Rate of Return

Numbers without some effective yardstick are of very little assistance to management. One of the advantages of using 'rate of return' for assessing investment proposals is that the final answer is expressed in terms which are easily understood by people who have not studied the method in detail. Every business man understands the rate of return on capital invested, and most senior executives who have to take decisions on important investments will know the rate of return on their existing investments. Nevertheless, there are many companies in which knowledge of the rate of return on capital is far from complete, and it may be desirable for the accountant to improve the existing reporting to management on this subject. In this respect care should be taken that the same basis is used for calculation of actual rate of return as is used for computing the return on future investments, or at least that the management is aware of any differences. Special care is required if the marginal return is calculated in respect of a particular project - this is very useful information for management but they must be aware of its significance. Certainly the best yardstick for judging the desirability of an investment is the rate which has been earned by the business in the past and the rates which other companies in the same line of business are able to earn.

Risk is obviously a very important factor and for this reason it seems undesirable to fix any kind of 'minimum rate of return' below which investments will not be accepted. Rate of return is, at best, an estimate subject to a high margin of error and it is only one of the factors to be considered when a final decision is taken. Undoubtedly the management will have in mind a figure which represents an average rate of return, desirable if other factors are normal, but any absolute limit may lead to the automatic rejection of proposals which merit serious consideration. Conversely there will be a *prima facie* case in favour of investments which exceed the minimum, some of which may involve very high risk indeed. A minimum rate of return also tends to lead to 'fiddling' estimates in order to present a proposal which is acceptable. Rate of return on capital is sufficiently familiar to all senior executives not to need a complicated scale of minimum rates according to the degree of risk, and indeed this is one of its great advantages.

(Concluded)



# Look Before You Leap

## ANOTHER VIEW ON DECIMALIZATION

by Colonel P. R. MacIVER, A.M.I.Mech.E., A.R.Ae.S., A.M.B.I.M., A.I.I.Tech., F.B.I.S.

THE reactions of an engineer to *Decimal Coinage and the Metric System - Should Britain Change?*,<sup>1</sup> the joint report of committees appointed by the British Association for the Advancement of Science and the Association of British Chambers of Commerce, must have enough factors in common with those of an accountant to invite an alliance. In particular, both these professions (and others) recognize in the decimal system advantages that include:

- (a) Alignment with other countries - the MKS system, based on the metre, kilogramme and second, is the international currency of scientific measurement. A scientist expressing his results in tons, hundredweights and pounds is at a disadvantage similar to that of a financier quoting pounds, shillings and pence in the international market.
- (b) Escape from the variety of factors in British currency, weights and measures. The  $4 \times 12 \times 20$  gradation from farthings through pennies and shillings to pounds is an absurd complication compared with the  $10 \times 10 \times 10$  of mills and cents to the basic currency of a nation.
- (c) A simpler manipulative tool than vulgar fractions.

### Decimals - The Result of Instinct

Instinct rather than reason has suggested decimals as a solution to this problem - just as instinct, the result of having ten digits on our two hands, led to decimals as the basis of a system of notation.

If, like the three-toed sloth, we had six digits on our two hands and ten on our two feet, we might have thought further and avoided jumping to our conclusion. Perhaps, instead of decimals, our imaginations would have suggested duodecimals with their basic advantage that a half, third, quarter and sixth of twelve could be expressed simply as .6, .4, .3 and .2 respectively. The complication of two additional digits such as  $\emptyset=10$  and  $H=11$  would worry us little and our most elementary multiplication tables already include 'a dozen dozen equal a gross.'

There have been advocates of duodecimals for many years but those with this proof of sufficient vision to see beyond ten digits will like to consider the basic problem: what are the desirable features of a common system of notation? Surely we should not of necessity have to learn several arithmetical languages, which is the regrettable situation at present. For example, the scientist has approved the MKS system so that he can compare his results internationally; so far this is manipulated easily only by the decimal system and vulgar fractions are abhorred. The accountant in most countries works in decimals, but in Britain his hands are fettered by vulgar fractions, for 'shilling' and 'penny' are only another way of writing  $1/20$ th and  $1/240$ th of the pound sterling.

### Qualities of a Better System

Let us consider the qualities on which we should select a base for a new and better system of notation and measurement, unprejudiced by anatomical characteristics. The number of digits must be great enough to allow us to express large numbers in a reasonably compact manner, yet small enough for us to be able to remember and manipulate them with facility. The base must offer a convenient availability of factors and it is an advantage if the more vulgar fractions are convertible to  $x$ -imals<sup>2</sup> without involving recurrence or a number of  $x$ -imal places that defeats the average memory.

The number of digits was unity in the Roman system which required a thousand digits to indicate the number 1,000 until  $V=5$ ,  $X=10$ ,  $L=50$  and the rest made it compact enough to be practicable. In contrast, the digital computer performs wonders on a binary base, but it is only capable of doing so by virtue of its indefatigably retentive memory. The human brain would be as incapable of manipulating the binary base as it would be dealing with a thousand different digits. In this case 'manipulate' would include learning multiplication tables up to

<sup>1</sup> Butterworths Scientific Publications, 1960.

<sup>2</sup>  $x=10$  in decimals,  $x=12$  in duodecimals and we are seeking  $x$ =some better base.

$1,000 \times 1,000 = 1,000,000$ , which is such a large number that, counting at a rate of one hundred per minute, it would take nearly twenty-one days to reach it, assuming that one could work an eight-hour day at such a rate.

Providing that the system we are seeking maintains a concise method indicating large numbers, such as  $10^6$  for a million, it is not necessary to learn multiplication tables up to  $1,000 \times 1,000$ , but what is the practical limit of our requirement, and of our capacity? We can judge from history and experience: Ptolemy, in the second century A.D. introduced sexagesimals<sup>1</sup> in a clever system of notation that did not involve learning fifty-nine digits and a zero: he probably discarded this idea on the ground that it would have involved unreasonable feats of memory. It may be certainly assumed that the maximum desirable number of digits is substantially below sixty; on the other hand, the practice of working to the base of ten is so readily achieved that there is no doubt we could manage something more ambitious.

Factorial and fractional convenience is the criterion from which the best base can be selected from the range that has been found to be practicable.

	2	3	4	5	6	7	8	9	10	11	12	24	30	36	40
Percentage 'inconvenient' fractions	0	50	33	75	20	83	57	75	44	90	36	52	38	63	67
Factors			1		2		2	1	2		4	6	6	7	6
Prime factors			1		2		1	1	2		2	2	3	2	2

The above table<sup>2</sup> offers a comparison from which the convenience of fractions can be judged, in a series from half to reciprocal, up to 12 and then confined to numbers, up to 40, with at least six factors. The percentage of 'inconvenient' fractions, requiring six or more  $x$ -imal places for their accurate representation, on the table highlights the advantage that seximals have in this characteristic. The bases 12 and 30 are the only others within practicable limits that offer under 40 per cent inconvenient fractions, and of these two trigintimals have a commanding lead over duodecimals in availability of factors. There

are six factors of 30 including three prime numbers, while 12 has only four factors with two primes.

### Advantages of 'Trigintimals'

It is easy to conclude that 10 is *not* the best base, with only two factors and 44 per cent inconvenient fractions, and we would be very unwise to standardize on a bad system just for the sake of uniformity with other countries. But if we can combine mathematical convenience with the advantages quoted in the opening paragraph, a powerful alliance can be formed between science and finance, which are both servants of the public. Trigintimals offer all these plus ease of comparison with existing systems. In measurement of distance, for example, 30 centimetres are so nearly equal to one foot (30 cm. = 1 ft. - 1.57 per cent nearly) that the foot could be introduced into the new system and defined as exactly 30 centimetres, retaining the 'old foot' of 30.479 centimetres for as long as necessary. In measurement of weight, 900 grammes are very nearly equal to a familiar domestic quantity, two pounds avoirdupois (900 gm. = 2 lb. - 0.775 per cent nearly). Our currency could retain a traditional basis of thirty pence equal one half-crown and thirty half-crowns equal one triginta (or whatever we choose to call it) which would allow the retention of existing coins and notes for a convenient period after which the five pound note would disappear, made redundant by the triginta (worth £3 15s) and, perhaps, a note of greater denomination.

Trigintimals would be easily comparable with decimals because of the common factor ten. The educational difficulty in conversion to trigintimals would be minimized by using the alphabet to supplement the existing arithmetical digits - to the embarrassment of algebraists who could resort to the use of Greek characters with which they are conveniently familiar. The time spent learning trigintimal arithmetic would be repaid by not having to learn vulgar fractions at all and the abolition of this clumsy manipulative system would show a long-term saving in accounting machinery.

While the cost of any change must be great, if it is divided by the number of years during which civilization can take advantage from its benefits, it becomes trivial, and the decision to adopt trigintimals can earn the gratitude of posterity and set a lead for the rest of the intelligent world to follow.

<sup>1</sup> Ptolemy's 60-base system used the 24 letter Greek alphabet plus three other symbols in a manner which allowed him to manipulate circular degrees and their factors to serve his astronomical calculations.

<sup>2</sup> Quoted from 'Down with decimals' by the author (*Journal of the Royal Electrical and Mechanical Engineers*, March 1961).

## Weekly Notes

### Birthday Honours

**I**N our last issue we had pleasure in congratulating members of the profession whose names appeared in the Birthday Honours List. We should now like to congratulate also Mr A. F. Lampitt, J.P., F.C.A., COMP.I.E.E., who receives the C.B.E. and Mr A. W. Lowe, F.C.A., who receives the O.B.E.

Mr Lampitt is managing director of Telephone Cables Ltd, of Dagenham, Essex. He has been twice chairman of the Telephone Cable Makers' Association and is a member of the Dagenham Employment Committee and the Barking, Becontree and Dagenham Local Advisory Committee of the Ministry of National Insurance.

Mr Lowe is senior partner in the firm of William Chadwick & Co, Chartered Accountants, of Liverpool, and he receives his honour for political and public services in that city.

### Federation of British Industries on Shortages

**T**HE forecast of the Chancellor of the Exchequer at the Budget that there might be pressure on prices during this fiscal year has now been followed by concrete evidence that this is occurring. In the latest Federation of British Industries' inquiry into industrial and export trends the drift of industrial opinion is that there is a continuing rise in production costs, an increase which is having a particularly unfortunate effect on exports.

The latest returns show that there has been a revival in new orders, a lengthening of order books and an increase in output. This increase in production has not as yet, incidentally, appeared in official figures of industrial production. The main deterrent to higher output is a shortage of skilled labour. One of the surprising features of the latest return is that stocks have begun to increase at all levels, a marked contrast to the expectation that raw material stocks would fall over this summer and that finished goods and work in progress would remain steady. In February it was said that the balance of firms reporting higher costs was the highest since the Federation of British Industries' inquiries were launched. This time there has been a further big rise in costs and hence a further reduction in profit margins. This last development coincides with the opinions ex-

pressed by chairmen of large public companies at recent annual meetings.

A feature has been made in this return of the trend of exports. Replies from industrialists indicate that there has been a rise in export orders booked, a shortening of delivery dates and a drop in export prices. Nevertheless, concern is expressed about the comparative level of prices and this is given much greater weight on the negative side than the shortening of delivery dates on the positive side.

### Inspector's Report on H. Jasper & Co Ltd

**A**N echo of the State Building Society case was sounded on Monday with the publication of the report of Mr Neville Faulks, Q.C., whom the Board of Trade appointed on September 25th, 1959, to investigate the affairs of H. Jasper & Co Ltd.<sup>1</sup> The report, which is dated December 1st, 1959, has much more to say about the State Building Society than about the Jasper company and it tells a sorry story of the way in which this Society by lavish advertising and by paying more than the usual rate of interest was able to amass millions of pounds, a good deal of which was misapplied. One paragraph is headed 'Window-dressing the Building Society's Balance Sheet' and sets out a letter from H. Jasper & Co Ltd to the Society's then managing director and secretary H. H. Murray. The letter undertakes to 'bridge' the mortgage of £150,000 which the Society had granted to a company in which Murray was interested. The bridging was from November 30th to February 1st in each year, so that the mortgage would not need to be disclosed by the Society.

Mr Faulks criticizes banks for conniving in flagrant breaches of Section 54 of the Companies Act, 1948, which section makes it a criminal offence for a company to give financial assistance for the purchase of its own shares. He concludes his report by saying there is nothing more incredible than a building society handing over some £3 million to its solicitor pending completion of mortgages to that amount by 161 companies then either non-existent or non-members, with no written report on title and no applications in writing for such advances; the Society failing to press the companies at all for several weeks.

### Bankruptcies in 1960

**T**HE annual general report of the Board of Trade for 1960 on matters within the Bankruptcy and Deeds of Arrangement Acts was issued last Wednesday.<sup>2</sup> It shows that in 1960 the number of receiving orders and administration orders in England and Wales rose to 2,801, an increase of 500 over 1959.

The principal groups of trades affected were builders, retailers of hardware and electrical goods,

<sup>1</sup> H.M.S.O. 6s net.

<sup>2</sup> H.M.S.O. 1s 9d (by post 1s 11d).

retail grocers, farmers, retailers of motor vehicles and cycles and road haulage contractors. These six groups accounted for 955 failures against 774 in 1959.

The report also contains details of the results of 568 debtors' applications for discharge dealt with during the year and of the 134 prosecutions concluded in respect of bankruptcy and other offences reported by the Official Receivers (150 in 1959); of the 268 deeds of arrangement registered in 1960 and of the 233 deeds of arrangement in respect of which final accounts were rendered (284 in 1959).

### The Labour Market

HOWEVER impressive Alexander's method of dealing with the Gordian knot may appear in retrospect, the fact remains that there are many knotty problems which simply do not lend themselves to such treatment. The state of the labour market and the system – if such a name it deserves – of wage negotiation in this country is acknowledged to be the nation's most complicated economic problem. There is no single clear-cut solution to the issues raised, but as Mr J. D. Robertson – a Glasgow university economist – implies in the latest Hobart paper,<sup>1</sup> there is much that can be achieved through the cumulative effect of a series of measures, which individually are quite small and likely to command a large measure of agreement. He suggests that the Labour Exchanges have concerned themselves far too much with the need for placing the unemployed and far too little with the equally important function of ensuring the best allocation of labour, our scarcest economic resource. These bodies could collect more information on salaries and wages; on employment prospects in specific industries, more particularly for the young worker, as well as making longer term estimates of potential demand. Mr Robertson has a number of suggestions for the trades unions as well. He considers that demarcation restrictions and 'closed shop' policies reduce the effectiveness of the labour market, and suggests that 'needlessly long periods of apprenticeship should be reduced'.

An important proposal is that a system of local wage bargaining should be encouraged and that earnings in different industries and areas should be better known so as to encourage workers to move into better paid jobs where their skills will be more efficiently utilized. The present system of national insurance needs radical overhaul. Mr Robertson would like to see unemployment benefit at higher rates for the first few weeks of unemployment while there should be a tightening up of the rules whereby some individuals seem able to draw benefits indefinitely in preference to working. Finally, the 'earnings' rule should be abandoned in the State pension scheme since it discourages effective use of

an important and growing source of skilled labour. This and other ideas form the main content of this latest Hobart paper. Certainly the reforms proposed would make a lot of difference to our economy.

### Inter-company Information

THE 1961 edition of *Who Owns Whom* – described by the publishers as a directory of parent, associate and subsidiary companies in industry and commerce – reflects the continuing high rate of business activity in the United Kingdom.<sup>2</sup> Section I, which lists alphabetically, subsidiaries and associates with the names of the parent companies opposite, contains about 19,000 entries or 3,000 more than in the 1960 edition, 4,000 having been added and 1,000 withdrawn. To the other information previously supplied have been added sections giving United Kingdom subsidiaries in Western Europe (an extension to the 1960 edition which covered only the European Common Market) and in the United States and United States subsidiaries in Western Europe. It is hoped to produce a Continental edition in the autumn listing parent, associate and subsidiary companies in certain countries.

The degree of usefulness of this directory increases annually with its size, the number of pages now being 561 as against the 438 of the previous edition. Happily the price has remained unaltered which suggests that the work is becoming established as an indispensable book of reference and one all the more valuable because it is topical, the main text stating the position at March 31st, 1961, with an addendum giving a selection of changes of ownership of public companies announced between that date and April 30th, 1961.

### Investment Company into Trading Company

IN *Forest Side Properties (Chingford) Ltd v. Pearce* (39 A.T.C. 456) two individuals had built twenty-six maisonettes on a parcel of land and had let them before the war. They sold two after the war and paid tax on the profit. In 1951 they sold the remainder to the appellant company which was apparently formed for the purpose and which had the objects, *inter alia*, of a property dealer. The two individuals, as directors of the company, passed a resolution to hold the property as an investment. The Tax Inspector applied Section 469 of the Income Tax Act, 1952, to the sale, on the footing that the company was an investment company. From 1955 heavy expenditure was incurred on making good war damage and the maisonettes were disposed of on 999-year leases, piecemeal, as they became de-requisitioned or fell vacant. The Revenue then assessed the profits on the footing that the company was trading, and the General Commissioners for the

<sup>1</sup> *A Market for Labour*. By D. J. Robertson. Barrie & Rockliff, London. 3s 6d.

<sup>2</sup> *Who Owns Whom*, 1961. (Compiled and published by O. W. Roskill & Co (Reports) Ltd, 14 Great College Street, London, SW1. £6 6s net.)

Division of Becontree confirmed the assessments. Mr Justice Danckwerts held there was sufficient evidence to support their conclusion.

The stated case came in for a good deal of discussion both in the High Court and subsequently in the Court of Appeal; particularly the following observations:

'From our specialized knowledge we were aware that flats and maisonettes at that time [1951] were not a good selling proposition locally. We accordingly found that the intention expressed in the minute, to hold the properties as an investment,

was put on record with the taxation position in mind, and was not intended to obtain when circumstances changed.'

The Master of the Rolls (according to *The Times* of June 17th) said that if the 'specialized knowledge' was something gained by one or more of the Commissioners in business, so as not to be purely local knowledge, it would not be right for the conclusion to stand. However, he came to the conclusion, with some hesitation, that the Commissioners were only speaking of purely local knowledge. The Court unanimously dismissed the company's appeal.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 82

THERE is often a sudden psychological moment in the interviewing of candidates for jobs when one realizes, entirely on unexplained instinct, that this is the man. So it happened last week.

This particular candidate had an involved weekly time-table, including much travelling, so finally Prinny arranged - of all things - a *breakfast* meeting at our big local hotel. Prinny himself, it must be admitted, was somewhat below par on arrival, having been revelling into the small hours. Bleary of eye and gashed of chin, he blanched visibly at the sight of my bacon-and-eggs and morosely ordered black coffee and toast. Our waiter viewed him with lofty amusement. A handsome, olive-skinned strippling like a youthful Caesar, he clearly scorned the barbarian with the hang-over, and regrettably allowed his feeling to show. Prinny muttered wearily 'the insufferably superior type' and groaned.

Just then our candidate arrived - a hefty, ruddy-faced, young six-footer, who strode in with a martial stride and announced that he was ravenous. I heard our director's dejected whisper, 'hearty type, intolerable', and the waiter said silkily 'no difficulty in satisfying the signor's appetite'. There was a supercilious note in his voice, a curl to his lip, and Ruddy-face looked up sharply. Somewhere in the dim past his ancestors had stormed down with scythed chariots on Caesar's reeling ranks, and he didn't like alien patronage. He finished his orange juice, and asked slowly for some porridge - 'for a start'; their eyes met and in one look battle was joined.

It was a full plate of porridge, with sugar and cream, and it was followed by flakes with tinned fruit. Caesar asked if the signor had now sufficient, and Ruddy-face calmly requested kippers. Two

white-jacketed assistants paused to look, with a quick exchange of incomprehensible staccato, and the waiter brought an enormous plateful and smiled a disdainful smile.

The fishy odour was quite marked. Prinny looked slightly green and shuddered; our candidate buttered some toast nonchalantly as he elaborated on his previous experience in an auditor's office; he had checked a standard cost factory report and gained useful knowledge; his comments on labour variations were intelligent and constructive. The waiter removed the bony remnant and pointedly commenced to clear the cutlery. Ruddy-face said calmly: 'Just a moment . . . bacon and fried eggs next . . . and perhaps this hotel has some kidneys?'

There was a momentary pause while steel-blue glance and brown glance locked again, and then a steaming platter arrived before our man. The fat head waiter came by in white-tied dignity and asked if everything was satisfactory; a rabble of swarthy, fuzzy-haired, open-mouthed minions peered behind him breathlessly; there was tension in the air.

Our potential employee ignored it, though his face was flushed and his hands moved slowly as he waded through his helping. He finished it and sat back. Beside him at that crucial moment appeared his smiling opponent, in his hand a plateful of cold beef and ham, tomatoes, pickles. . . . 'Signor,' he announced dramatically, 'there are also assorted cold viands on the menu.' The legions had rallied for the last overwhelming assault; Prinny pushed back his chair and said in a stricken voice: 'Oh no'; the room was hushed.

*Nil desperandum.* The island breed hesitated only momentarily before replying deliberately: 'Have you some cold tongue to go with it, please', and the gesticulating onlookers broke into spontaneous uproar: '*Magnifico! signor . . . viva!*' The two champions, grinning from ear to ear, were shaking hands warmly; the head waiter was almost embracing them in his excitement; the war-horns of the Icenii brayed victoriously in the background. Then they all dispersed hastily and the episode was over.

And that's how we picked our new assistant accountant.



# Reviews

## Growth, Wages, Money

The 1960 Marshall Lectures by Sir DENNIS ROBERTSON, C.M.G., F.B.A. (Cambridge University Press, London. 5s net.)

That the reputation for clarity of exposition and gentle humour possessed by the doyen of professional economists is well deserved, is evident from this collection of these commemorative lectures. The first, which deals with the economists' latest hobby-horse, i.e. 'growth', provides an amusing illustration derived from recent economic writing of the dictum, 'so much learning, and so little wisdom'. The second lecture is a defence of the Cohen Committee's analysis of wage-induced inflation, in which there is much good sense, while the final essay discussing the Radcliffe Committee's views on monetary policy explains that without some control of incomes, nothing will stop inflation. For the reader with some economics, these lectures will prove enjoyable.

## Investments in Land and Property

by W. A. LEACH, F.R.I.C.S., and E. G. WENHAM, B.SC.(LOND.), F.R.I.C.S., F.A.I. (Sweet & Maxwell Ltd, London. 30s net.)

Sub-titled 'A guide for investors and those responsible for investment policy', this little book expounds in clear, non-technical language, the sort of information about property which every accountant who may sometimes have to act as administrator or executor, or even advise a client, will find useful. In particular, there is a clear exposition of natural and proprietary rights, of boundaries, building controls and planning authorities. The discussion of legal topics is followed by chapters on financial matters such as rates, taxes and tithes, with further chapters on purchasing property for investment and methods of valuation. The treatise also contains a glossary of legal terms and an appendix on the law of real property in Scotland.

## Building Roundabout

by ARTHUR W. KENYON, C.B.E., F.R.I.B.A., DIS.T.P., M.T.P.I. (The Builder Ltd, 4 Catherine Street, London, WC2. 10s 6d net.)

Buildings under construction usually attract an appreciative audience from among the passers-by and there is no reason why this delightful book, which deals with the craft of building in a series of short, non-technical, casual essays should not have a similar following. Mr Kenyon sees everyday things with the perceptive eye of an architect and his sane comments on – to name only a few of the many subjects which come under his urbane survey – smoky chimneys, draughts, smells, foundation stones and dixy tea, are most refreshing.

## The 1960 Income Tax Legislation in the Federation of Rhodesia and Nyasaland

by A. S. SILKE, M.COM., PH.D.(CAPE TOWN), C.A.(S.A.). (Juta & Co Ltd, P.O. Box 30, Cape Town. 45s net.)

Part III of this volume contains the text of the 1960 taxation legislation in the Federation, i.e. the Income Tax Amendment Act, 1960, and the Taxes Charging Act, 1960. In Part I Dr Silke sets out the tax rates, with examples, while in Part II he expounds the various amendments which have taken place and gives a number of arithmetical examples. Buying this book is probably the best and simplest way of keeping up to date without missing anything.

## Topical Comment: Essays in Dynamic Economics Applied

by SIR ROY HARROD. (Macmillan & Co Ltd, London. 25s net.)

No academic economist has contributed so widely to the financial Press as Sir Roy Harrod and his forthright articles are extensively read by non-economists. This volume consists of some thirty articles and essays on economic issues between 1951–59, ranging from a dissertation on post-war maladjustments prepared for the International Monetary Fund to short articles which appeared in *The Financial Times*. The book is completed by a bibliography of Sir Roy's extensive writings. It is inevitable that any economist who writes so much and so close to events will sometimes make a false assessment or wrongly analyse developments. Nevertheless, the liveliness of mind and the acute perception – together with clear-cut opinions – come clearly through all these pieces.

## RECENT PUBLICATIONS

SECURITY ANALYSIS, Interpretation of Financial Statements, by Douglas H. Bellemore. 196 pp. 9½ × 6½. 42s net. Mark Paterson & Co Ltd, London, for Simmons-Boardman Publishing Corporation, New York.

INVESTMENTS, Principles, Practices and Analysis, Second Edition, by Douglas H. Bellemore. x+898 pp. 9½ × 6½. 63s net. Mark Paterson & Co Ltd, London, for Simmons-Boardman Publishing Corporation, New York.

A RECORD OF AGRICULTURAL POLICY 1958–1960, Occasional Papers No. 7, by Edith H. Whetham and J. R. Horam. 57 pp. 9½ × 7. Card covers. 4s net. Issued by the Farm Economics Branch, School of Agriculture, Cambridge University.

WE THE UNDERSIGNED, A History of the Royal London Mutual Insurance Society Ltd and its times 1861–1961, by W. Gore Allen. 82 pp. + appendices. 10 × 8. 21s net. Newman Neame Ltd, London.

AN EXECUTOR'S ACCOUNTS AND THE LAW RELATING THERETO, Thirteenth Edition, by E. Miles Taylor, F.C.A., F.S.A.A., S. C. Hough, A.I.B., and O. Griffiths, M.A., LL.B. xx+527 pp. 9 × 6 30s net, 31s 9d including postage. Textbooks Ltd, 20 Milton Road, Harpenden, Herts.

HANSON'S DEATH DUTIES, Fifth Cumulative Supplement to the tenth edition (to December 31st, 1960), by Henry E. Smith, LL.B.(LOND.), assisted by P. H. Fletcher, LL.B.(LOND.). xii+185 pp. 10 × 6. 25s post paid. Sweet & Maxwell Ltd, London.

THE ART OF ADMINISTRATION, by A. Leslie Banks, M.A., M.D., F.R.C.P., D.P.H., Barrister-at-law, and J. A. Hislop, M.A., M.D., F.R.C.P., Barrister-at-law. 224 pp. 8½ × 6. 12s 6d. University Tutorial Press Ltd, London.

# Finance and Commerce

## Matter of Opinion

THIS week's reprint features the accounts of Carlton Holdings Ltd, of Wakefield, presented for the first time, as Mr Roland Eddy, the chairman, points out, in vertical form. 'This', he says, 'is supposed to make them clearer but whether it does so or not is a matter of opinion.' What his own opinion is, he doesn't disclose, but from the manner of his expression it might be inferred that he has been persuaded to give the vertical a try-out against his better judgment.

It is indeed, as he says, a matter of opinion. The vertical form had a good start off in Yorkshire some thirty years ago when two Leeds companies, Prices Tailors and Crompton Parkinson, adopted it. It is now well established. Unilever, for instance, has standardized it for the companies in that group. There is therefore a weight of opinion in its favour.

Much depends on the manner of presentation and here Mr Eddy is on surer ground. 'The general layout which we have adopted', he says, 'is surely an improvement.' Carlton was once one of the names in coal-mining and is now in its present form a holding concern with interests in fuel distribution and transport, in mining equipment, in brickworks, and in the manufacture of footwear components.

## Lifting the Curtain

A LITTLE grudgingly, Mr Charles Clore allows shareholders in Sears Holdings Ltd some idea of the organization's turnover. Stating in his review with the company's 1960 accounts that total sales further increased during the year, he says, 'Whilst I do not believe that it is in the best interests of the company or its shareholders to publish the amount of our sales, I am prepared to lift the curtain momentarily on this occasion in order to disclose that we can now regard ourselves as being in the £100 million class'.

Exactly why it is not in the best interests of shareholders to know the turnover of their company, Mr Clore does not say. The odd part of it all is that a round sum turnover figure for an organization like Sears can give very little away so far as any competitors are concerned – and, presumably, competition is behind Mr Clore's reticence.

The Sears organization is divided into four groups: the British Shoe Corporation, controlling the True-Form, Freeman, Hardy & Willis, Dolcis, Manfield, Phillips Brothers and Curtess shoe companies; Sears Engineering, controlling shipbuilding, textile, knitwear machinery and allied engineering companies; motor distribution and the Mappin & Webb silver-plate and store group.

## Profits

It is over the whole of this varied organization that Mr Clore's vague £100 million figure applies. Although he is not prepared to break down turnover into terms of the group's various compartments, he is prepared to do so in the case of trading profits.

Of the 1960 profits of £10,416,000, British Shoe Corporation supplied £5,774,000 or 55 per cent, Sears Engineering £4,003,000 or 39 per cent, with motor distribution at £295,000, and the Mappin & Webb group at £344,000, both supplying 3 per cent.

Like half a loaf, Mr Clore's decision to lift the curtain momentarily is better than nothing at all, but one wonders just how long shareholders in the company will have to wait before their chairman decides to allow them another glimpse, let alone lift the veil entirely and let shareholders see what goes on, on the full stage.

## Firth Cleveland

LAST week in this column attention was drawn to the Thomas Tilling method of showing the derivation of earnings and in particular the impact of new acquisitions on the results of a holding company. That treatment of earnings could well have been used by the directors of Firth Cleveland in the company's 1960 report – but unfortunately it is not.

Last year Firth Cleveland took over the Broadmead group which, with the Cleveland existing interests, formed the biggest radio, television and electrical goods retail organization in the country. Another addition to the Firth Cleveland group was a controlling interest in The Solartron Electronic Group.

With these additions, group turnover was up from £21.5 million to £36 million and profits, before tax, from £2,145,000 to £3,067,000; but the extent to which profits and turnover were affected by the new additions and by the expansion of business by the older members of the group is not shown. The Broadmead group's profits are said to have been 'highly satisfactory', while Solartron's contribution is described as 'negligible', that company being viewed as an investment for the future.

Mr Charles Hayward, the Cleveland chairman, in his review, goes into percentage earnings to show that expansion is moving on the right lines, but facts on the Thomas Tilling style are essential if a clear view of profits is to be provided.

June 24th, 1961

# THE ACCOUNTANT

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	1959 £	1960 £
<b>PROFIT AND LOSS ACCOUNT</b>		
I EXCESS OF INCOME OVER EXPENDITURE	316,890	363,159
Add .. .. .	66,465	90,449
II DIVIDENDS AND INTEREST (GROSS)	1,908	1,542
III RENTS OF PROPERTIES, less OUTGOINGS	385,263	455,150
IV GENERAL MANAGEMENT EXPENSES	3,222	3,188
Deduct .. .. .	382,041	451,962
V TAXATION	175,148	205,255
Deduct .. .. .	206,893	246,707
VI PROPORTION OF PROFITS ATTRIBUTABLE TO OUTSIDE SHAREHOLDERS	6,502	8,427
VII PROPORTION OF PROFITS ATTRIBUTABLE TO THE CARLTON HOLDINGS GROUP	200,391	238,280
VIII DIVIDENDS FROM SUBSIDIARY COMPANIES IN EXCESS OF PROFITS FOR THE YEAR	49,154	78,392
IX BALANCE OF PROFIT FOR THE YEAR AVAILABLE FOR APPROPRIATION BY CARLTON HOLDINGS LIMITED	249,545	316,672
X BALANCE AT 31ST DECEMBER, 1959 BROUGHT FORWARD	42	154,748
XI AMOUNT OVER-PROVIDED for future annual instalments of Back Service Pension Contributions	786	2,415
XII TOTAL AMOUNT AVAILABLE FOR APPROPRIATION BY CARLTON HOLDINGS LIMITED	250,373	473,835
XIII ADJUSTMENT IN FINAL DIVIDEND FOR 1958 due to decrease in Standard Rate of Income Tax	3,750	—
XIV DIVIDENDS PAID OR PROPOSED less TAX	91,875	107,188
XV UNAPPROPRIATED PROFITS OF CARLTON HOLDINGS LIMITED CARRIED FORWARD	95,625	107,188
XVI UNAPPROPRIATED PROFITS OF SUBSIDIARY COMPANIES (See Schedule C)	154,748	366,647
XVII AGGREGATE UNAPPROPRIATED PROFITS OF THE GROUP AT 31ST DECEMBER, 1960	485,000	412,466
	£639,748	£779,113

	1960 £	1959 £
<b>EXPLANATORY NOTES</b>		
I PROFIT ON TRADING	449,447	394,376
Deduct Depreciation .. .. .	86,288	77,486
EXCESS OF INCOME OVER EXPENDITURE	363,159	316,890
after charging:—		
Emoluments of Directors of Carlton Holdings Limited (including Pension Contributions)	2,800	2,703
Fees as Directors .. .. .	11,364	9,939
Remuneration of Executive Directors .. .. .	14,164	12,642
(In addition fees of £1,500 (1959 £1,500) were received from an Associated Company)	1,832	1,830
Pension to Former Managing Director .. .. .	210	210
Auditors' Remuneration .. .. .	2,341	2,605
Carlton Holdings Limited .. .. .		
Subsidiary Companies .. .. .		
II DIVIDENDS AND INTEREST (GROSS)	80,000	50,000
Dividend received from an Associated Company .. .. .	275	236
Dividends and Interest on Investments .. .. .	10,174	16,229
Interest on Deposits and Tax Reserve Certificates .. .. .	90,449	66,465
V TAXATION	44,708	33,748
Profits Tax 1960 .. .. .	166,642	154,156
Income Tax on Profits of year .. .. .	211,350	187,904
Deduct Taxation adjustments in respect of previous years .. .. .	6,095	12,756
	205,255	175,148
VIII DIVIDENDS FROM SUBSIDIARY COMPANIES IN EXCESS OF PROFITS FOR THE YEAR (1959 £49,154 included £9,215 Pre-acquisition Profits of newly acquired interests in Subsidiary Companies)	24,500	21,437 (31%)
	82,688	70,438 (11%)
XIV DIVIDENDS PAID OR PROPOSED	£107,188	£91,875
Interim Dividend of 4% less tax, paid 25th October, 1960 .. .. .		
Final Dividend of 13 3/4% less tax .. .. .		

## ADDITIONAL NOTE

The Accounts of all Subsidiary Companies were prepared as at 31st December, 1960, except in the case of a newly acquired Company which commenced trading on 1st December, 1960, and the Balance Sheet of which was prepared as at 30th November, 1960. One Company, liquidated during the year, traded for three months only, and the Accounts of a newly acquired Company covered a period of eleven months only. With these exceptions, the Accounts covered the year ended 31st December, 1960. One existing Company has not traded during the year.

Consolidated Balance Sheet as at 31st December, 1960

THE  
ACCOUNTANT

June 24th, 1961

1959 £	1960 £
<b>CAPITAL EMPLOYED</b>	
I <b>CAPITAL OF CARLTON HOLDINGS LIMITED, AUTHORISED AND ISSUED</b>	
1,000,000	1,000,000
131,493	122,529
642,748	782,113
1,774,241	1,904,642
<b>II CAPITAL RESERVES</b>	
4,289	2,527
499,323	636,302
868,404	936,959
3,333	3,333
77,000	78,483
13,887	—
1,466,236	1,657,604
<b>III REVENUE RESERVES AND UNAPPROPRIATED PROFITS</b>	
488,663	70,926
185,747	555,805
70,438	169,467
728,848	82,688
737,388	878,886
<b>IV CURRENT ASSETS</b>	
134,266	778,718
11,552	—
145,818	141,431
591,570	637,287
636,429	680,406
400,000	400,000
100	—
210,860	259,828
211,360	1,977,521
1,839,459	72,879
65,218	£1,904,642
£1,774,241	

## EXPLANATORY NOTES

## II CAPITAL RESERVES

Details of Reserves are given in Schedule A

## III REVENUE RESERVES AND UNAPPROPRIATED PROFITS

Details of Reserves are given in Schedule B

## VIII AMOUNT SET ASIDE for future annual instalments of Back Service

Pension Contributions as at 31st December, 1959 .. .. . 11,552

Deduct Annual Instalment paid .. .. . 5,776

Amount over-provided transferred to Profit & Loss Appropriation Accounts £5,776

## IX FIXED ASSETS

Details of Assets are given in Schedule D

## ADDITIONAL NOTE

Commitments for Capital Expenditure outstanding amount to approximately £52,077 (1959 £11,200)

XIV OUTSIDE SHAREHOLDERS' INTERESTS .. .. .

Deduct  
R. ADDY  
A. H. M. JACKSON } Directors

The Schedules to the Accounts as at 31st December, 1960

<b>SCHEDULE A</b>		1960	1959
<b>CAPITAL RESERVES</b>		Parent Company £	Group £
General Reserves at 31st December, 1959	.. ..	114,936	131,493
Deduct			
Net Loss on Sale of Shares in and Liquidation of Subsidiary Companies	.. ..	3,606	1,348
Capital Reserve of Subsidiary Company liquidated	.. ..	7,616	8,964
General Reserves at 31st December, 1960	.. ..	£111,330	£122,529
			£114,936
			£131,493
<b>SCHEDULE B</b>			
<b>REVENUE RESERVES &amp; UNAPPROPRIATED PROFITS</b>			
General Reserves	.. ..	—	3,000
Unappropriated Profits of Subsidiary Companies (See Schedule C)	.. ..	—	412,466
Profit and Loss Account of Parent Company	.. ..	366,647	366,647
		£366,647	£782,113
			£154,748
			£642,748
<b>SCHEDULE C</b>			
<b>BALANCES CARRIED FORWARD BY SUBSIDIARY COMPANIES</b>			
Balances at 31st December, 1959 brought forward	.. ..	485,000	
Add Amount over-provided for future annual instalments of Back Service Pension Contributions	.. ..	3,361	
Net Debit Balances on Profit & Loss Accounts of Subsidiary Companies sold or liquidated during year	.. ..	5,154	
		493,515	
Deduct Net Profit released by Subsidiary Companies	.. ..	78,392	
Pre-acquisition Profits of Subsidiary Companies applied in reduction of Premiums paid on acquisition of Shares	.. ..	828	
Expenses of Increase of Capital and acquisition and Issue of Shares	.. ..	1,829	
Balances at 31st December, 1960 carried forward	.. ..	81,049	As at 31st December, 1959
		£412,466	£485,000

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<b>SCHEDULE D</b>		1960	1959
<b>FIXED ASSETS</b>		Cost Less Sales £	Net Book Value £
<b>CARLTON HOLDINGS BALANCE SHEET</b>			
Freehold and Leasehold Land and Buildings	.. ..	30,698	30,433
Motor Cars, Office Furniture and Equipment	.. ..	10,527	8,692
		£41,225	£39,125
As at 31st December, 1959	.. ..	£25,939	£1,418
<b>CONSOLIDATED BALANCE SHEET</b>			
Freehold and Leasehold Land, Kilns and Buildings	.. ..	371,882	45,320
Plant and Machinery, Motor Vehicles, Office Furniture and Equipment	.. ..	840,951	487,107
		£1,212,833	£532,427
As at 31st December, 1959	.. ..	£1,196,526	£560,097



## CITY NOTES

**STOCK-MARKETS** have hardly been on their best behaviour in the past week. Initially, fears of economic measures at home put prices in a downward slide, to be followed by some technical improvement, and again later by a renewal of some anxiety.

One item of interest, however, was undoubtedly the success of the Kleinwort Benson equity offer for sale by tender of Parway Land & Investment, the property group. It was the first 'tender' venture of its kind, designed primarily to keep out the 'stags' who have made a farce of recent popular issues by resolving them to a mere 'lucky-dip' affair.

Those applying for Parway were asked to tender for shares at a price above a minimum of 16s. As it proved, prices ranged from the 16s level to an exaggerated 40s. The average was struck at 17s 6d at which issue was made. First dealings saw the price up to 22s and while this would have meant a good profit for any 'stag', there were clearly none concerned in this case. Only twelve out of the 540 successful applications turned out to be 'multiples'.

The experiment seems to have been highly successful and there will doubtless be others on similar lines by those who are tired of dealing with vast numbers of applications, multiple forms, 'dud' cheques and the rest, only to see the few lucky applicants go 'into the hat' in indiscriminate fashion.

## RATES AND PRICES

Closing prices, Wednesday, June 21st, 1961

**Tax Reserve Certificates:** interest rate (26.11.60) 3%**Bank Rate**

May 22, 1958	5½%	Jan. 21, 1960	5%
June 19, 1958	5%	June 23, 1960	6%
Aug. 14, 1958	4½%	Oct. 27, 1960	5½%
Nov. 20, 1958	4%	Dec. 8, 1960	5%

**Treasury Bills**

April 14	£4 9s 7·69d%	May 19	£4 8s 3·18d%
April 21	£4 9s 9·01d%	May 26	£4 8s 8·74d%
April 28	£4 8s 1·71d%	June 2	£4 8s 9·61d%
May 5	£4 7s 4·27d%	June 9	£4 9s 4·14d%
May 12	£4 6s 5·04d%	June 16	£4 10s 0·42d%

**Money Rates**

Day to day	3½-4½%	<b>Bank Bills</b>	
7 days	4½-4½%	2 months	4½-4½%
<b>Fine Trade Bills</b>		3 months	4½-4½%
3 months	5½-6%	4 months	4½-4½%
4 months	5½-6%	6 months	4½-4½%
6 months	5½-6½%		

**Foreign Exchanges**

New York	2·78½-½	Frankfurt	11·08½-½
Montreal	2·80½-90½	Milan	1730½-½
Amsterdam	10·01½-02½	Oslo	19·99½-½
Brussels	139·15½-½	Paris	13·66½-½
Copenhagen	19·32½-½	Zürich	12·04½-05

**Gilt-edged (revised List)**

Consols 4%	61½	Funding 3% 59-69	80½
Consols 2½%	39½	Savings 3% 60-70	78½
Conv's'n 5½% 1974	92½	Savings 3% 65-75	70½
Conversion 5% 1971	90	Savings 2½% 64-67	83½
Conversion 3½% 1969	84½	Treasury 5½% 2008-12	89½
Conversion 3½%	54½	Treasury 5% 86-89	84½
Exchequer 5½% 1966	98½	Treasury 3½% 77-80	70
Funding 5½% 82-84	92½	Treasury 3½% 79-81	70½
Funding 4% 60-90	86½	Treasury 2½%	39½
Funding 3½% 99-04	59½	Victory 4%	96½
Funding 3% 66-68	82½	War Loan 3½%	54

## Current Law

**Non-attendance of Petitioner**

**THE** petitioner in *Re Royal Mutual Benefit Building Society* ([1960] 3 All E.R. 460), presented a petition for the winding up of the company but then gave notice to the company that he would withdraw it and not proceed further in the matter. He did not attend before the Registrar on an appointed day before the hearing of the petition to show compliance with the rules as to petitions as required by rule 33 of the Companies (Winding-up) Rules, 1949, nor was he represented at the hearing of the petition.

Counsel for the company asked that the petition, instead of being struck out, be dismissed with costs against the petitioner, and Pennycuik, J., made the order asked for, taking the view that the words in rule 33 'No order shall be made on the petition of

any petitioner who has not . . . attended before the Registrar . . . and satisfied him in manner required by this rule', meant no more than that no order should be made in favour of any petitioner who had not complied with the requirements of the rule, and did not operate to protect a petitioner from an order for costs where for any reason his petition was unsuccessful.

**Conversion of Bank Cheque**

**M.** AND R. practised in partnership in Sydney under the firm name of E. R. Mann & Co. They maintained a 'trust account' in the name of the partnership at the A.N.Z. Bank. Under the partnership agreement all the partnership assets, including all money to the credit of any bank account in the partnership name, belonged to M., but R. was entitled to the income, save for small weekly drawings by M. Either partner was permitted to draw cheques on the banking account, and the A.N.Z. Bank was given authority to this effect. R. fraudulently drew cheques on the account. In each case he completed in the partnership name an application on a printed

form for a bank cheque (or draft) in favour of H.W. for an amount equal to the cheque drawn on the partnership account. These documents were taken to the A.N.Z. Bank which, in each case, debited the trust account with the amount of the cheque, and, at the same time, issued a bank cheque for an equal amount. These cheques were taken to the C. Bank, and cashed over the counter. In due course, each of the cheques was paid by the A.N.Z. Bank to the C. Bank against delivery. H.W. was not a client of the partnership, and no client had authorized payment to him of any money held in the trust account.

In *Commercial Banking Co of Sydney Ltd v. Mann* ([1960] 3 All E.R. 482), the Judicial Committee of the Privy Council allowed an appeal by the C. Bank from the Supreme Court of New South Wales in Commercial Causes where Walsh, J., had held that M. was entitled to succeed against the bank for conversion of the cheque. The Privy Council held that M.'s claim could not be maintained unless it were shown that the cheques were his property. They were not his property when issued by the A.N.Z. Bank since R. was not authorized as between himself and M. to obtain them, and M. could not subsequently ratify R.'s obtaining of the cheques (so as to make them M.'s property) without also ratifying the subsequent dealing with the cheques by R. and the appellant bank. In deciding in favour of the appellant, the Privy Council applied *Union Bank of Australia Ltd v. McClintock* ([1922] 1 A.C. 240), where the facts were very similar.

### Estate Agent's Commission

THE plaintiffs in *Drewery and Another v. Ware-Lane* ([1960] 3 All E.R. 529) were estate agents, and the defendant by a printed 'letter of authority' instructed them to offer his leasehold house for sale. He agreed with them to pay them commission if and when a 'prospective purchaser' signed their 'purchaser's agreement', and he signed their 'vendor's agreement'. The plaintiffs introduced S., who signed the purchaser's agreement, and the defendant signed the vendor's agreement, both agreements being expressed to be subject to contract. Completion was delayed while S. negotiated for the purchase of the freehold reversion. It was necessary for him to obtain a mortgage, but he delayed doing so until he should know whether he could obtain the freehold. Nine days after the defendant signed the vendor's agreement, he wrote to the plaintiffs saying that, as no further progress had been made with the sale to S., he had sold the property to someone else. The plaintiffs contended that the agreed commission was, in the circumstances, payable to them, and the Court of Appeal held that it was, because the term 'prospective purchaser' in the letter of authority meant a person who had the buying of a property in bona fide prospect or in contemplation, and was prepared to make an offer with regard to it. The Court was satisfied that, on the facts, S. was such a person.

### Variation of Trusts: Position of Next of Kin

IN *Re Suffert's Settlement, Suffert v. Martyn-Linnington and Others* ([1960] 3 All E.R. 561), application was made under Section 1 of the Variation of Trusts Act, 1958, by the life tenant under a settlement whereby the trust fund was after her death to be held on certain trust for her children. If no children of hers attained a vested interest, the trust fund was to be subject to a general testamentary power of appointment vested in the applicant. In default of appointment, the fund was to be held on trust for the applicant's statutory next of kin, viz., the persons who would on the applicant's death be entitled thereto if she had died possessed thereof intestate and without ever having married. The arrangement proposed by the applicant, who was a spinster aged 61, was that the trustees should appropriate out of the trust fund £500, the income whereof should be held on protective trusts for her during her life, and, after her death, for any husband of hers who might survive her for life; and, subject thereto, should hold the fund on trust for the persons who, under the Administration of Estates Act, 1925, would become entitled thereto on her death if she had died possessed thereof intestate without ever having been married. Had the applicant died at once, her statutory next of kin would have been her three first cousins. Of these, one was a respondent to the summons and consented to the proposed arrangements; the other two were *sui juris* and resident abroad. None of them had children.

Buckley, J., made an order approving the proposed arrangement but pointed out that, on the true construction of paragraph (b) of subsection (1) of Section 1 of the Act, it did not bind the two potential next of kin who were not before the Court, though it would bind any person not then in existence who might become entitled, in future, as then being one of the applicant's statutory next of kin.

### Mortgagee's Claim for Possession

THE plaintiff in *Braithwaite v. Winwood* ([1960] 3 All E.R. 642), sold a cottage to the defendant and allowed a part of the purchase price to remain on mortgage free of interest. It was provided that if the mortgagor performed all the other covenants in the mortgage, the mortgagee would not require payment of the principal before 1965. A policy of assurance was made further security for the mortgage debt and it was a term of the mortgage that the mortgagor should pay the premiums. Subsequently, as a result of a clearance order relating to the property and property retained by the mortgagee being obtained by the local authority, the parties negotiated for the repurchase of the cottage by the mortgagee, who contemplated re-developing it together with the property which he had retained, and during those negotiations the mortgagor, expecting them to be successful and thinking that the security of the policy would

no longer be required, stopped paying the premiums. The negotiations fell through and the mortgagee issued a summons for possession. Following an approach by the mortgagor, he agreed that the mortgagor should pay the arrears of premium and agreed to the reinstatement of the policy. Nevertheless, the mortgagee proceeded with his claim for possession.

Cross, J., held that the mortgagee was entitled to possession, because on the facts his conduct in agreeing to the policy being reinstated did not estop him from proceeding with the summons. The learned judge said that, if there was a discretion to adjourn the summons in such a case, it should not be exercised here because, on the facts, the mortgagor was not living in the premises, and he had made no effort in the four months which had elapsed since the negotiations broke down to have the mortgage transferred.

### Meaning of 'Surviving'

THE testator in *Re James's Will Trusts, Peard v. James* ([1960] 3 All E.R. 744), settled his residuary estate in shares upon his children for life with a gift over on each child's death to that child's children on attaining 21, and provided

'in case any of my children shall die without leaving any child or issue living at his or her decease then the share of such deceased child shall be held upon the same trusts for the benefit of my surviving children and their his or her children or issue as are hereinbefore declared concerning their original share'.

The testator did not include any gift over of the whole residue on the death of all his children without issue. In the events which happened, the last of the testator's children to die did so leaving no issue, and if the word 'surviving' were to be construed in its accurate sense, it followed that there was an intestacy as to this child's share and other shares which had accrued to it.

Buckley, J., having extensively reviewed the authorities on the interpretation of 'surviving' and 'survival' held that there was nothing in the will to displace the natural meaning of 'surviving', so that there was in fact an intestacy as to the share (included the accrued shares) of the testator's last surviving child.

### Sanction to Scheme of Arrangement Refused

IN *Re Bugle Press Ltd: Re Houses and Estates Ltd* ([1960] 3 All E.R. 791), the Court of Appeal dismissed an appeal of a company from the decision of Buckley, J. ([1960] 1 All E.R. 768), who had refused to make a declaration that the appellant was entitled to acquire, under Section 209 (1) of the Companies Act, 1948, the shares of the respondent in two companies. Ninety per cent of the shares in each of those two companies was held by the shareholders, who were only two in number, of the appellant company, and it was not in doubt that the appellant company had been formed in order that the mechanics of Section 209 might be invoked.

Lord Evershed, M.R. (with whom Harman and

Donovan, L.JJ., agreed) held that if a dissenting shareholder showed that the offeror and the 90 per cent of the transferor company's shareholders were the same, as they were for all practical purposes in the present case, then he had *prima facie* shown that the Court ought 'to order otherwise' within the terms of Section 209. If it did not do so, the result would be that the section would have been used, not for the purpose of any scheme or contract properly so called or contemplated by the section, but to enable the majority shareholders to expropriate or evict the minority, and that was something for which the Court ought not to allow the section to be invoked unless at any rate it were shown that there was some good reason in the interests of the company for so doing: e.g., that the minority shareholder was in some way acting in a manner destructive or highly damaging to the interests of the company from some motives entirely of his own.

### Scottish Provision in English Will

THE testator in *Re Angus's Will Trusts, Hall and Another v. Angus and Others* ([1960] 3 All E.R. 835), gave:

'the moiety of my property that remains after my wife shall have received her *jus relictæ* unto my trustees' upon trusts for the upkeep of a memorial and a grave 'and to pay my wife the interest on the residue of the property so long as she shall live . . . '.

He further declared that

'at the death of my wife or if she shall have died before me then I bequeath the said property in equal shares between all such of my brothers and sisters nephews and nieces who shall be living at that time'.

*Jus relictæ* is a Scottish conception whereby provision is made out of the deceased's moveables for the widow of a person dying domiciled in Scotland, and amounts where (as in the present case) there is no issue of the marriage to one-half of the free succession after payment of debts and expenses; but as the testator, in the present case, although Scottish by birth, died domiciled in England, *jus relictæ* could have no application to his will.

Buckley, J., held that there was an intestacy as to a moiety of the income of the testator's estate during his widow's lifetime, since it was impossible to find an implied gift to her of such income, as such an implication would be inconsistent with the testator's assumption that she would be entitled to *jus relictæ* and his recognition that he could not dispose of it. His lordship held that there was nothing in the will to detract from the ordinary meaning of 'moiety' as equal half part, and that the gift of the 'said property' at the widow's death included, as a matter of construction, everything of which the testator was competent to dispose at his death, so that, on the widow's death, his brothers, sisters, nephews and nieces then living become beneficially entitled to the whole of the residue.

# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Stockbrokers and the Jenkins Committee

SIR, - With regard to Mr Harrison's letter in your issue of June 10th, it would seem that he has not fully acquainted himself with the true position concerning the requirements for quotation for additional shares in a quoted company. I should like to draw attention to the evidence given before the Jenkins Committee on February 17th.

Quite apart from the question of what firm of stockbrokers acts for the company, quotation for additional shares on the London Stock Exchange is in fact granted by the Council, and such quotation is not granted until the relative documents have been closely scrutinized by the Share and Loan Department to ensure compliance with our requirements. Prior to their reaching this Department the documents may well have passed through an issuing house and will almost certainly have been drafted by legal advisers. The sanction behind these requirements is the refusal of quotation.

Yours faithfully,  
W. S. WAREHAM,  
*Secretary,*

SHARE AND LOAN DEPARTMENT,  
THE STOCK EXCHANGE,  
London, EC2.

## The Parker Report

SIR, - I quite agree with Mr T. E. Gambling (June 3rd issue) that the title 'management accounting' as applied to a part of the subject 'accountancy' is something of a gimmick - but for reasons rather different from those he gives.

I regard all accounting as 'management accounting', because I cannot for the life of me see what use accounting can have if it does not assist someone to manage something. In theory, accounts are submitted to shareholders in order to enable them to manage their investments, and the accounts required to be prepared for the Courts in respect of the estates of bankrupts and lunatics have a similar management aim in view. The divergencies between theory and practice in these cases arise largely from the difficulties experienced by lawyers in understanding business conditions. As a result, the quasi-accounting documents masquerading as accounts are of little use to anybody.

We accountants go so far in our refusal to regard calculation as the object of accountancy as to prepare income tax *computations* when submitting figures to the Inland Revenue as a basis for assessing taxes. We know, consciously or unconsciously, that the accounting model is a dynamic representation of the movements of values, albeit a limited two-dimensional one which accommodates neither time nor space in its representations.

In a quite different context, namely, management education, we recognize a different but intimately related subject, called 'management control' or, in some places 'quantitative techniques'. This subject is compounded of business arithmetic, accounting (including costing) elementary statistics and some other applications of mathematics to business problems, such as those used in operations research. The object of familiarizing students with these matters is to enable them to understand the correct use of quantitative data for decision making, planning and control. It is a subject on which examining is possible, although difficult, and might well be considered for the Institute's syllabus in place of the more nebulous 'management accounting'.

May I say in conclusion how disappointing I find the Parker Report, which contributes very little to the solution of the problem the Committee was appointed to examine. Although the members of the Committee have clearly devoted much time and effort to an examination of a number of particular points, this central and crucial issue remains unresolved.

Yours truly,  
KENNETH MOST, LL.B., F.C.A.

London, W1.

## Advertising and Taxation

SIR, - Miss Hall's comment in your issue of June 10th, on my letter is, may I say, typical of the attitude of many critics of advertising - to postulate claims it does not make and then to demolish them with relish. This may be good fun, but, I have no doubt, will meet short commons in any profession.

The advertising world does not claim that advertising *by itself* sells products. Our attitude is that advertising is a part, and an essential part, of the selling process. If selling is restricted, so is production. Would that, therefore, not be a restriction on enterprise?

Has no one told Miss Hall that, though the finest advertisement for any product may well be the excellence of its quality, the great majority of Britain's famous manufacturers find it good business to tell the world about their fine products - in other words to advertise them?

Yours faithfully,  
CHARLES WIDDUP,  
ADVERTISING ASSOCIATION.

London, WC2.

**A monthly feature designed to keep readers - whether in practice or in commerce - abreast of the latest developments in the field of office equipment.**

### For Sterling/Decimal Conversion

ONE of the bugbears of our sterling currency is the need to refer to decimal conversion tables when using calculating machines for multiplication and division. This is not only hard on the operator's eyes; it also increases the chance of error.

The new *Sterlicon* conversion machine provides a simple solution to the problem. Manually operated by



*Sterlicon Conversion Machine*

two knurled wheels, it converts sterling amounts to their equivalents in decimal pounds. The two amounts are shown side by side and can be read much more quickly and reliably than the columns of figures in conversion tables.

Decimal equivalents are provided for all sterling amounts from  $\frac{1}{2}d$  to 19s 11 $\frac{1}{2}d$ . Model I works to five decimal places; Model II, to six places.

Made in Britain, the *Sterlicon* is compact (6 $\frac{1}{2}$  inches long by 2 $\frac{1}{2}$  inches high) and well-engineered. It is supplied with a three-year free-service guarantee.

Prices: Model I £12 10s and Model II £15.

Lows Calculators Ltd, 180 Tottenham Court Road, London, W1.

### Versatile Add/Listing Machine

THE latest addition to the Addo-X range of adding/ listing machines, *Model 447/30*, has two independent adding registers, one with subtraction, and a carriage which shuttles between three positions. These features make it exceptionally versatile.

Reference numbers can be incorporated in lists of sterling amounts. Typical applications are:

- (1) Reference number, selling price, purchase tax.
- (2) Number of shares, dividend, income tax.
- (3) Policy number; premium, commission.

The carriage, which accepts forms up to 12 $\frac{1}{2}$  in. wide, can be locked in one position for ordinary add/ listing work. There are control keys for such functions as non-add, repeat addition, and correction.

In a similar model, the 447/20, the carriage moves between two positions only.

Price: £235 (both models).

Bulmer's (Calculators) Ltd, Empire House, St Martin's-le-Grand, London, EC1.

### Chemical-free Photocopying

FOR many years the dyeline process has been established as a fast and particularly inexpensive method of photocopying business documents. It has the virtue of being a one-stage process which produces direct positive copies in any kind of lighting conditions.

Like other photocopying techniques, it has always employed a chemical (either liquid or gas) to bring out the image after the exposure has been made. Working in collaboration with Bauchet of France, Copycat Ltd have now eliminated this inconvenience.

The result of their joint research is *Diazo-therm*. As the name suggests, it is the application of heat, and not chemical processing, which completes the operation. To achieve this, the copy material is given a special type of coating.

The new process is automatic and retains all the previous advantages of dyeline copying. Nor are operating costs increased in any way (for example, quarto copies can still be produced for less than one penny). Compared with the 'dry' dyeline process, the installation of equipment is much simpler, since there is no longer any need to provide some form of ducting to remove the ammonia fumes.

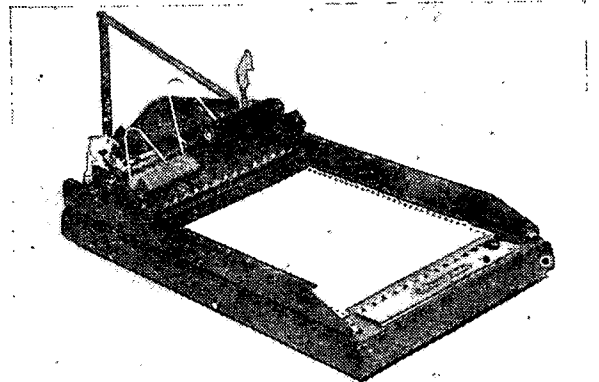
The new process will be incorporated in a variety of units to suit different requirements.

Prices: To be announced.

Copycat Ltd, 40 Victoria Street, London, SW1.

### Cuts Duplicating Costs

AN ingenious method of locating the master on studs makes the new *Rena Model A* spirit duplicator particularly suitable for systems work. It also saves time and money on straight duplicating work where masters need periodical revision.



*The Rena Model A Spirit Duplicator*

# New Office



## Equipment

The *Rena Model A* is a flatbed machine which handles masters of up to foolscap size. On each side of the bed there are thirty-five retractable studs. The master is located on these by means of holes punched in its left- and right-hand margins.

After the required number of copies have been taken from it, the master can be filed for future use in a multi-ring binder. If revisions are needed before it is used again, the parts concerned are cut out and replaced by strips bearing the correct information. All kinds of alterations or deletions can be made in this way without the trouble and cost of preparing new masters.

Like other types of spirit duplicator, the *Rena Model A* is quick and easy to use. Copies in up to seven colours can be produced in one operation; and one master provides up to 300 copies.

Price: £75.

E. G. Solomon, 44 Worship Street, London, EC2.

### All-purpose Accounting Machine

IT is often an advantage to be able to analyse transactions under a number of different heads as a by-product of routine accounting work. The new *National Class 33* accounting machine helps in this respect. It has twenty-one adding and subtracting registers, all of which provide automatic credit balances. Of these registers, seventeen can be manually selected from the keyboard, thus enabling seventeen analysis totals to be accumulated simultaneously.

In appearance and construction the *Class 33* resembles other models in the *National* range. Its basic features include: Fluid-drive carriage up to twenty-six inches wide, with either single of split platen; built-in electric typewriter; and three independently controlled item counters.

The *Class 33* can perform nearly one hundred different functions automatically. These are controlled by an interchangeable programme bar which clips on to the front of the carriage. Since there is one bar for each of the user's book-keeping routines, switching from one routine takes only a few seconds.

Price: Four models are available, ranging from about £3,500 to £3,800.

The *National Cash Register Co Ltd*, 206-216 Marylebone Road, London, NW1.

### Space-saving Wall Chart

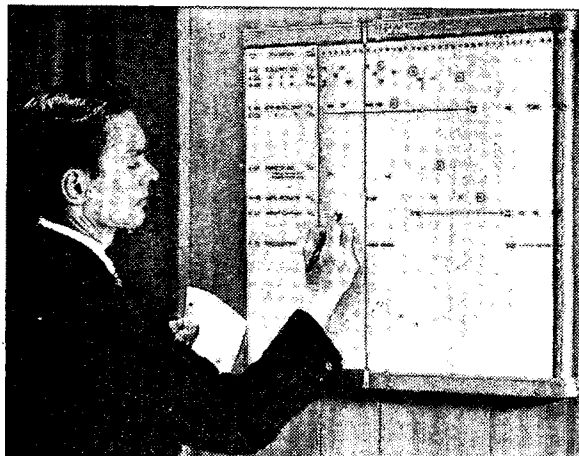
IN a wall space of 23½ inches by 25 inches, the new *Rol-a-chart* provides 8 square feet of chart space. This is because the information is written on a transparent plastic sleeve which is mounted on rollers and can thus be moved horizontally over the background grid.

There are no pegs, strings or cards. Both fixed and variable information is recorded with a pencil—a simple method of working which will commend itself to many users. Another advantage is that there are no extras to buy.

When the horizontal scale is used for units of time, rolling the sleeve to the left progressively brings all commitments up to a 'today' line. After this is passed they fall into a 'delinquent' zone. The size of this zone can be increased or decreased by moving the elastic 'today' line.

On the left-hand side of the chart there is a stationary index, of laminated plastic, which holds up to eighty items.

The endless sleeve is of Mylar film. Entries are made with *Rol-a-chart* thin lead pencils (available in five



*The Rol-a-chart*

colours) or ordinary chinagraph pencils, and removed with a cloth or cleaning tissue.

The stationary grid over which the sleeve moves is calibrated in ¼-inch and ½-inch squares. The sleeve itself can be either plain or imprinted with vertical yellow bands to indicate week-ends in the case of daily schedules.

The *Rol-a-chart* is of welded steel construction, with grey hammertone finish, and weighs 9½ lb. Refinements include a retractable carrying handle, folding easel, and pocket for pencils.

Price: £39.

*Badenia Calculators Ltd*, Lion House, Red Lion Street, London, WC1.

### Automatic Letter-Opener

LETTERS can be opened automatically at the rate of over sixty per minute with the *Remington Posto-E*, a new electric machine distinguished by its compactness and low cost.

The fast-rotating blade works on only one side of the envelope; consequently there is no off-cut of either envelope or contents. Self-sharpening, the blade is claimed to open a minimum of 50,000 envelopes before replacement is necessary. The design of the feed and cutting units eliminates jams.

The *Posto-E* is 12 inches long by 6½ inches wide by 5½ inches high, and weighs 14 lb. It is supplied for either 220-250 volt or 110-120 volt mains, A.C. or D.C. The motor consumes 15 watts.

Prices: £34 13s with dust cover, or £38 8s with dust-cover and carrying case.

*Remington Rand Ltd*, Remington House, 65 Holborn Viaduct, London, EC1.

# New Legislation

*All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27-28 Basinghall Street, London, EC2.*

## STATUTES (9 & 10 Eliz. 2)

### Chapter 13: National Health Service Contributions Act, 1961

An Act to increase the rates of national health service contributions and to amend the National Health Service Contributions Act, 1957, and for purposes connected therewith.

*Price 6d net. March 28th, 1961.*

### Chapter 14: Nurses (Amendment) Act, 1961

An Act to amend the law relating to nurses for the sick.

*Price 1s net. March 28th, 1961.*

### Chapter 15: Post Office Act, 1961

An Act to reorganize the financial arrangements of the Post Office; to amend the Post Office Act, 1953, and the Stamp Duties Management Act, 1891; and for purposes connected with the matters aforesaid.

*Price 1s 3d net. March 28th, 1961.*

### Chapter 16: Sierra Leone Independence Act, 1961

An Act to make provision for, and in connection with, the attainment by Sierra Leone of fully responsible status within the Commonwealth.

*Price 1s net. March 28th, 1961.*

### Chapter 17: Betting Levy Act, 1961

An Act to provide for contributions for purposes connected with the advancement of horse racing from persons engaged by ways of business in effecting betting transactions on horse racing; and for connected purposes.

*Price 1s net. March 28th, 1961.*

### Chapter 18: White Fish and Herring Industries Act, 1961

An Act to make further provision for financial assistance for the white fish and herring industries (including advances to the White Fish Authority).

*Price 4d net. May 9th, 1961.*

### Chapter 19: National Health Service Act, 1961

An Act to make further provision with respect to charges for the provision of dental and optical appliances and dental services under the National Health Service.

*Price 4d net. May 9th, 1961.*

### Chapter 20: Home Safety Act, 1961

An Act to enable certain local authorities in England and Wales to promote safety in the home and to make contributions to voluntary organizations whose activi-

ties consist of or include the promotion of safety in the home.

*Price 3d net. May 18th, 1961.*

### Chapter 21: Oaths Act, 1961

An Act to amend the law as to oaths.

*Price 3d net. May 18th, 1961.*

### Chapter 22: Restriction of Offensive Weapons Act, 1961

An Act to amend the law in relation to the exposure and possession for the purpose of sale or hire, and to the importation, of flick knives and other dangerous weapons.

*Price 3d net. May 18th, 1961.*

### Chapter 23: Republic of South Africa (Temporary Provisions) Act, 1961

An Act to make temporary provision as to the operation of the law upon the Union of South Africa becoming Republic outside the Commonwealth.

*Price 3d net. May 18th, 1961.*

## STATUTORY INSTRUMENTS

### The Companies (Winding-up) (Amendment) Rules, 1961

(S.I. 1961 No. 318)

These rules amend the Companies (Winding-up) Rules, 1949:

- (a) by providing that persons intending to appear at the hearing of a petition for winding up must notify the petitioner by four o'clock (instead of six o'clock) on the day before the day appointed for the hearing of the petition or, if that day is Monday, by four o'clock on the previous Friday; (instead of one o'clock on the previous Saturday); and
- (b) by increasing the fees payable to shorthand writers in examinations in winding up from £2 12s 6d to £4 4s a day for attending examination and from 1s 3d to 1s 6d per 100 of seventy-two words for a transcript.

The increases apply to attendances and transcripts made on or after June 1st, 1960.

*Price 3d net. March 6th, 1961.*

### The Charities (Registration) (Commencement No. 1) Order, 1961

(S.I. 1961 No. 987 (C.7))

The registration of charities provided for by Section 1 of the Charities Act, 1960, does not apply to charities founded before 1961 until a date to be appointed. The Order appoints June 22nd, 1961, as that date in relation to charities for the benefit wholly or mainly of any part of Bedfordshire or Surrey, including Croydon.

*Price 2d net. May 18th, 1961.*

# Notes and Notices

## THE ACCOUNTANT

### Index to Vol. CXLIV: January - June 1961

The general index to this volume - January to June 1961, Vol. CXLIV - will be published with the issue dated July 1st, 1961.

The parts of this volume should therefore not be sent for binding until the index has been added.

## PROFESSIONAL NOTICES

MESSRS ALLEN, BALDRY, HOLMAN & BEST, Chartered Accountants, of Bilbao House, 36 New Broad Street, London, EC2, announce that Mr EDWARD BALDRY, O.B.E., F.C.A., and Mr W. J. JACKSON, F.C.A., are retiring from the firm and from active practice on June 30th, 1961. They will, however, remain in close consultation with the firm and will retain directorships and other public offices.

MESSRS BAKER, SUTTON & Co, Chartered Accountants, of Eldon Street House, Eldon Street, London, EC2, announce the retirement of their senior partner, Mr DONALD C. CANN, F.C.A., as from June 30th, 1961. Mr CANN will continue to be available in a consultative capacity for the time being.

MESSRS STANLEY BLYTHEN & Co, Chartered Accountants, announce that as from June 19th their address will be Hazlemont House, Gregory Boulevard, Nottingham. Telephone: Nottingham 621111.

MESSRS COOK & Co and Messrs NEILD, SON & LEES, Chartered Accountants, of Liverpool and Manchester announce that they have admitted Mr PETER J. C. BAGOT, A.C.A., into partnership as from June 14th, 1961. Mr BAGOT, who was articled with Messrs T. & H. P. BEE of Preston and Fleetwood, has been on the staff of the two firms since earlier in the year and will practise principally at the Manchester office. The style of the firms remains unchanged.

MESSRS COX & FURSE, Chartered Accountants, of 121 Bennett's Hill, Birmingham, 2, announce that on May 31st, 1961, the partnership existing between Messrs T. A. FURSE, M.B.E., F.C.A., R. W. MINNS, F.C.A., and J. G. G. HESSE, A.C.A., was dissolved by mutual consent. As from June 1st, 1961, Mr FURSE and Mr MINNS have been joined in partnership by Mr G. E. FISHER, F.C.A. Mr FISHER has previously carried on his practice, under the name of CORBETT & Co, and has also acted as managing clerk of COX & FURSE. The name and address of the firm will remain unchanged.

MESSRS ARTHUR C. HEYWARD & Co, Chartered Accountants, of 14 and 15 Coleman Street, London, EC2, announce that, following upon the recent death of Mr ARTHUR C. HEYWARD, F.C.A., the founder of the firm, the practice will be continued by the surviving partner, Mr R. P. HEDLEY, F.C.A.

Mr WILLIAM PICKLES, B.COM., F.C.A., of 5 Swan Street, Manchester, 4, announces that as from April 1st, 1961, he has taken into partnership Mr I. P. SIFFE, F.C.A. The practice will continue at the same address under the name of WILLIAM PICKLES, JAFFE & Co, Chartered Accountants.

## Appointments

Mr J. E. Linnell, F.C.A., secretary of Evode Ltd, has been appointed a director of the company.

Mr Gordon Harries, F.C.A., secretary of Firth Cleveland Ltd, has been elected a director of the company.

Mr L. G. Mummery, F.C.A., has been appointed assistant managing director of W. Canning & Co Ltd.

Mr Norman Readman, F.C.A., managing director of the Consolidated Pneumatic Tool Co, has been elected president of the Chicago Pneumatic Tool Co, New York.

Mr Anthony H. Farquhar, F.C.A., has been appointed a director of Remfield Trust Ltd.

Sir Gerard d'Erlanger, C.B.E., F.C.A., and Mr B. A. C. Whitmee, F.C.A., have been elected directors of Philip Hill Investment Trust Ltd.

Mr A. J. Bray, M.A., A.C.A., has been appointed to the board of Frank H. Ayling Ltd, the major company of the Ayling Industries Group and to the board of Bribond Printed Circuits Ltd, one of the subsidiary companies.

Mr G. H. Edmunds, A.C.A., A.C.W.A., has been appointed secretary of Sterling Poultry Products Ltd on the retirement of Mr P. D. Smith, A.C.A., who had held the position since 1934.

Mr R. P. Cotton, B.COM., A.C.A., has relinquished his appointment as chief accountant of Bristol Aircraft Ltd, in order to take up an appointment with the organization division of Unilever Ltd.

Mr J. D. Robertshaw, M.A.(OXON.), A.C.A., has been appointed a director of Burton, Son & Sanders Ltd.

Mr Wilfrid Bailey, F.S.A.A., has been appointed deputy chairman of the Southern Gas Board as from August 1st. On that date Mr W. Hyde, F.C.W.A., A.A.C.C.A., chief accountant of the Southern Gas Board will become director of Finance and Administration of the West Midlands Gas Board, and Mr J. H. Smith, F.C.A., A.I.M.T.A., at present assistant chief accountant of the West Midlands Gas Board, will become chief accountant of the Southern Gas Board.

## OBITUARY

### Percy H. Stone

It is with regret that we record the death of Mr Percy H. Stone, of Birmingham, who was a member of The Institute of Chartered Accountants in England and Wales for fifty-seven years until his retirement in 1958. Formerly senior partner in the firm of P. H. Stone & Co, Chartered Accountants, Mr Stone was admitted an Associate of the Institute in 1904 and elected to fellowship in 1918. He had been a director of a number of companies and a fellow of the Institute of Directors.

Mr Stone was known particularly for his services to lawn tennis. He served as president of the Warwickshire Lawn Tennis Association from 1935 to 1948 and was elected an honorary life vice-president of the Association for his services to the game.

**Joseph Richard O'Leary, F.C.A.**

It is with regret that we record the death, after a short illness, of Mr Joseph Richard O'Leary, F.C.A., principal in the firm of J. R. O'Leary & Co, Chartered Accountants, of Cork.

Admitted to membership of The Society of Incorporated Accountants in 1920, Mr O'Leary had at one time been a member of the Council of The Society of Incorporated Accountants in Ireland and became a fellow of The Institute of Chartered Accountants in Ireland following integration.

He took a considerable interest in the business life of Cork and was a director of a number of companies. A keen rowing enthusiast, Mr O'Leary was vice-president of the Shannon Boat Club until the time of his death.

**THE INSTITUTE OF CHARTERED  
ACCOUNTANTS IN ENGLAND AND WALES****Annual Church Service**

A special service for members of the Institute will be held at St Margaret's Church, Lothbury, London, EC2, at 1 p.m., on Wednesday, July 5th. The members of the Council of the Institute will be present and the President hopes that as many members of the Institute as possible will also attend.

**Members' Library**

The Institute has recently added to its collection of early books the third of Pacioli's great works on mathematics. This is as follows:

*Divina Proportione*: opera a tutti gl'ingegni perspicaci e curiosi necessaria ove ciascun studioso di Philosophia, Prospectiva, Pictura, Sculptura, Architectura . . .; (by Luca Pacioli). 1509. (Marlborough Rare Books, £1,000.)

This brings together in one collection all the known printed works of Luca Pacioli.

First was his famous *Summa de Arithmetica* which included the first printed exposition of the best methods of accounting in use and the first explanation of double entry book-keeping. There were two printings of the first edition of 1494 and a second edition in 1523 and all three are in the Institute Library.

His next work was the *Divina Proportione*, concerned with the geometry of regular solid bodies and with a unifying aesthetic principle, the 'divine proportion'. The text is supplemented by a number of illustrations of the capital letters of the Latin alphabet and of regular polygons and polyhedra. The latter were based on original designs by Pacioli's friend and collaborator, Leonardo da Vinci.

His last work was his edition of Euclid, also added to the Institute's collection recently. First published about 300 B.C., this translation made Euclid's Elements available in everyday language. Prefixed to the

fifth book is a lecture given by Pacioli in the church of St Bartholomew in Venice on August 11th, 1508, with appended to it a list of the eminent persons who attended it.

While it is probably true that Pacioli produced nothing original or new it is clear he was a gifted and honoured teacher devoted to his subject and mathematics and accounting were much more widely understood and of a much higher standard as a result of his life's work.

**New Acquisitions**

*The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:*

- Accounts for Management. (Distributors/Dealers.) (Standard Triumph.) 1961. (Presented.)
- The Clerical Function: a survey of modern clerical systems and methods; by A. A. Murdoch and J. R. Dale. 1961. (Pitman, 30s.)
- Exchange Arithmetic; by H. C. F. Holgate: fourth edition. by H. E. Evitt. 1961. (Pitman, 15s.)
- Financing Your Business. (Engineering Industries Association.) 1961. (E.I.A., 5s.)
- Industrial Law; by H. Samuels: sixth edition. 1961. (Pitman, 21s.)
- Investments in Land and Property: a guide for investors and those responsible for investment policy; by W. A. Leach and E. G. Wenham. 1961. (Sweet & Maxwell, 30s.)
- Job Evaluation: a practical guide. (British Institute of Management.) 1961. (B.I.M., 9s 6d.)
- The Law of Insurance: second edition; by S. Preston and R. P. Colinvault. 1961. (Sweet & Maxwell, 70s.)
- The Millionaire Mentality; by M. Pearson. 1961. (Secker & Warburg, 16s.)
- Office Management in the Small Business. (American Institute of Certified Public Accountants.) New York. 1960. (A.I. of C.P.A., \$3.50.)
- Practical Book-keeping and Commercial Knowledge; by E. E. Spicer, F.C.A., and E. C. Pegler, F.C.A.: eleventh edition by W. W. Bigg, F.C.A., H. A. R. J. Wilson, F.C.A., and A. E. Langton, F.C.A. 1961. (H.F.L., 21s, presented.)
- Rathbones of Liverpool 1845-73; by Sheila Marriner. 1961. (Liverpool U.P., 30s.)
- Sales Accounting Methods; by R. H. de G. Matley. 1961. (Institute of Office Management, 35s.)
- Simple Office Systems for Brokers. (Corporation of Insurance Brokers.) 1961. (C. of I.B., presented.)
- \*Spicer and Pegler's Practical Auditing; by E. E. Spicer, F.C.A., and E. C. Pegler, F.C.A.: thirteenth edition by W. W. Bigg, F.C.A. 1961. (H.F.L., 27s 6d.)
- Staff in Organization; by E. Dale and L. F. Urwick. New York. 1960. (McGraw-Hill, 46s 6d.)
- Successful Managerial Control by Ratio-Analysis; by S. A. Tucker. New York. 1961. (McGraw-Hill, 85s 6d.)
- Urban Estate Management: Volume II: rating, taxation and general management; by W. A. Leach: third edition. 1961. (Estates Gazette, 87s 6d.)
- Work Study on the Farm; by A. A. Pakenham-Walsh. 1961. (Pitman, 12s 6d.)

\* This Book has been presented to all District Society Libraries under the grant of books scheme.

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## THE RED BOOK

Distribution of the 1961 edition of the *List of Members* (the 'Red Book') of The Institute of Chartered Accountants in England and Wales is now nearing completion and copies should be in the hands of all members shortly.

The alphabetical section of this year's edition has been revised in order to conserve space—the main change being the omission of dates of election to fellowship—while the London section of the topographical list of members has been improved: this section now gives a breakdown of membership into districts.

The 'Red Book' records a total membership of the Institute at January 1st, 1961, of 33,867, an increase of 1,288 over the previous year. The following table shows the number in each class of membership:

*Members in practice within the Metropolis:*

Fellow .. .. .	2,573
Associate .. .. .	632
Incorporated accountant member	
F.S.A.A. .. .. .	6
Incorporated accountant member	
A.S.A.A. .. .. .	5
	<hr/>
	3,216

*Members in practice in England or Wales but not within the Metropolis:*

Fellow .. .. .	5,549
Associate .. .. .	1,392
Incorporated accountant member	
F.S.A.A. .. .. .	17
Incorporated accountant member	
A.S.A.A. .. .. .	9
	<hr/>
	6,967

*Members residing in but not practising in England or Wales:*

Fellow .. .. .	9,135
Associate .. .. .	9,395
Incorporated accountant member	
F.S.A.A. .. .. .	758
Incorporated accountant member	
A.S.A.A. .. .. .	204
	<hr/>
	19,492

*Members not residing in England or Wales:*

Fellow .. .. .	1,821
Associate .. .. .	1,434
Incorporated accountant member	
F.S.A.A. .. .. .	596
Incorporated accountant member	
A.S.A.A. .. .. .	341
	<hr/>
	4,192

Total .. .. .	<hr/>	<hr/>	33,867
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## BUSINESS EFFICIENCY EXHIBITION

The forty-ninth Business Efficiency Exhibition is to be held at Olympia, London, from October 3rd to 11th. One hundred and fifty-four firms will be participating in the exhibition, which is being organized by the Office Appliance and Business Equipment Trades Association.

INCORPORATED ACCOUNTANTS'  
BENEVOLENT FUND

## Annual Meeting

The sixty-eighth annual meeting of subscribers to the Incorporated Accountants' Benevolent Fund will be held at 12 noon on June 26th at the offices of Messrs Allen, Baldry, Holman & Best, Bilbao House, 36 New Broad Street, London, EC2.

Copies of the annual report and accounts will be available at the meeting or may be obtained on request from the honorary secretary, Mrs I. M. Duncalf, Moorgate Place, London, EC2.

## IN PARLIAMENT

*Duple Motor Bodies Ltd v. Ostime*

Sir H. BUTCHER asked the Chancellor of the Exchequer whether he is aware of the case of *Duple Motor Bodies Ltd v. Ostime*, one of Her Majesty's Inspectors of Taxes, in relation to the valuation of work in progress; whether he is aware that the judgments given in the Chancery Division, the Court of Appeal and the House of Lords, were unanimously against the contentions of the Commissioners of Inland Revenue; and how much were the costs, including those of the company incurred by the Crown, in connection with this litigation.

THE FINANCIAL SECRETARY TO THE TREASURY (Sir EDWARD BOYLE): Yes, Sir. The Crown's costs, including those of the company, are expected to be in the region of £3,750.

Sir H. BUTCHER: While thanking my hon. friend for that reply, may I ask him if he has seen the remarks of the Master of the Rolls, and what steps is he taking to ensure that public funds are not dissipated in the manner shown in this case?

Sir E. BOYLE: I do not agree that public funds were dissipated unreasonably in this case. An important general issue was involved and it has been of considerable value to have had a final decision on it.

*Hansard*, June 15th, 1961. Oral Answers. Col. 609.

## Stock Exchange Transactions: Taxation

Mr TILEY asked the Chancellor of the Exchequer (1) in view of the taxability of profits derived from Stock Exchange transactions, where the person concerned is in effect carrying on a business of trading in shares for gain, what steps the Inland Revenue are taking in order to ensure that all profits from such Stock Exchange trading transactions, and in particular profits from tagging operations as opposed to genuine investment, are assessed for tax;

(2) what action it is proposed to take to obtain complete returns from stockbrokers and others of profits derived by individuals or firms from tagging operations so that the appropriate assessments can be raised in respect of past and future transactions.

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Sir E. BOYLE: With permission, I will answer these Questions together.

If a person is carrying on a business of trading in shares – and this must depend upon the facts – he is under an obligation to show his profits in his income tax return. In this, as in other matters, the Inland Revenue does all it can to enforce the law. My right hon. and learned friend does not at present contemplate bringing before Parliament the legislation that would be necessary to obtain returns of the type suggested in my hon. friend's second Question. But, as he said in his Budget speech, he will be considering the whole of this question during the coming year.

*Hansard*, June 15th, 1961. Oral Answers. Col. 613.

### THE SHEFFIELD AND DISTRICT CHARTERED ACCOUNTANT STUDENTS' SOCIETY

The report of the committee of The Sheffield and District Chartered Accountant Students' Society for the year 1960, presented at the Society's recent annual general meeting, records that membership at the year-end numbered 268 ordinary members and 121 honorary members.

During the winter months a comprehensive programme of evening lectures was held and the standard of lecturing, the report states, was reflected in the improved attendance figures – the average being thirty-seven compared with twenty during the previous year. Saturday morning lectures for Intermediate and Final students continue to be held throughout the year. The structure of these lectures has been under review by a subcommittee of the Students' Society and it is hoped that certain recommendations made will result in improvement. The third residential course took place at Buxton at the end of September and again proved very successful. Social functions included the President's annual sherry party for new articled clerks, a car treasure hunt and the Society's sixth annual dinner and dance in January. At sport, association football, cricket, golf and squash matches were played. The recently formed Doncaster branch held three evening lecture meetings during the year, all of which proved very successful.

The following officers have been elected for the ensuing year:

*President:* Mr A. G. Thomas, F.C.A.

*Chairman:* Mr J. J. D. Coates, A.C.A.

*Hon. Secretary:* Mr P. Doherty, c/o Messrs W. B. Gowers & Co, 303 Western Bank, Sheffield, 10.

*Hon. Assistant Secretary:* Mr M. J. Boulton.

*Hon. Treasurer:* Mr I. D. Trickett, B.A.(ECON.).

*Hon. Membership Secretary:* Mr J. D. Mills, 11 Coppice View, Sheffield, 10.

### THE INSTITUTE OF INTERNAL AUDITORS Essay Competition

The Institute of Internal Auditors invite competition for a prize of twenty-five guineas for a paper on 'Internal audit as an aid to management'.

The competition is open to persons not over 30 years of age on December 31st, 1961, resident in the United Kingdom or the Republic of Ireland.

The panel of judges will be Mr J. O. Davies, F.C.A., A.C.W.A., European Regional Director and United Kingdom member of the Editorial Committee of the Institute, Mr A. L. Watson, United Kingdom member of the Education Committee of the Institute, Mr H. C. Booth, F.C.A., United Kingdom member of the Research Committee of the Institute, and Mr Arthur E. Webb, Editor of *The Accountant*.

The winning paper may be published in *The Accountant*.

Entry forms together with conditions of entry can be obtained from the European Regional Director of the Institute, Mr J. O. Davies, F.C.A., A.C.W.A., Chief Internal Auditor, National Coal Board, Hobart House Grosvenor Place, London, SW1.

### INSTITUTE OF ACTUARIES

The annual general meeting of the Institute of Actuaries was held in Staple Inn Hall, London, on June 12th with the President of the Institute, Mr J. J. Gunlake, C.B.E., F.I.A., F.S.S., F.I.S., in the chair.

The report of the Council for the year ended March 31st, 1961, presented at the meeting, shows the present membership numbers 2,395, an increase of 100 over the previous year's total. There were 137 overseas entrants as compared with 143 in 1959-60 and the number of United Kingdom entrants totalled 200 – the largest figure for any year since the war. The intake of university graduates (41), the report states, showed a welcome increase over the relatively low figures of recent years.

A ballot to fill five vacancies in the Council resulted in the election of Messrs B. Benjamin, PH.D., F.I.A., F.S.S., H. G. Clarke, B.SC.(ECON.), F.I.A., D. F. Gille, F.I.A., F.S.S., J. Hamilton-Jones, M.A., F.I.A., F.S.S., and B. Roberts, F.I.A., A.S.A., F.S.S.

### Students' Society

Total membership of the students' society at March 31st, 1961, was 1,016. During 1960 the society celebrated its golden jubilee. Special social functions were arranged and the celebrations culminated with dinner dance which was attended by over 400 members and guests. The event was marked in permanent form by the publication during the autumn of an appreciation of the society's first fifty years by Mr F. A. Menzler, C.B.E., B.SC., F.I.A., A.S.A., F.I.S., M.INST.T., Past President of the Institute.

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